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Ninety Years of Health Insurance Reform Efforts in California

Bill and Proposition Files

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AMENDED IN ASSEMBLY MARCH 30, 1945
AMENDED IN ASSEMBLY MARCH 23, 1945

CALIFORNIA LEGISLATURE, FIFTY-SIXTH SESSION

ASSEMBLY BILL

No. 800

INTRODUCED BY MESSRS. WOLLENBERG, FOURT, LYONS,
DOYLE, BROWN, DUNN, FLETCHER, GAFFNEY, AND
WATERS

January 24, 1945

REFERRED TO COMMITTEE ON PUBLIC HEALTH

An act to create and provide for a prepaid health service system for the people of the State of California, and making an appropriation therefor.

The people of the State of California do enact as follows:

Article 1. Declaration of Purposes

1
2
3 SECTION 1. It is the purpose of this act to provide a system
4 of prepaid health service for the people of the State of Califor-
5 nia to the end that the general health of the people may be
6 improved and the misfortune and financial strain arising from
7 the onslaught of illness or injury be avoided, by providing a
8 fund from which medical and hospital costs may be met.
9 Although modern medical science has made gratifying and out-
10 standing progress thus providing facilities for greatly improv-
11 ing the general level of health in the community, economic con-
12 ditions have tended to make medical facilities less available to
13 many citizens by reason of the necessarily increased costs. It
14 is the purpose of this act to make such facilities available to as
15 many citizens of the State as possible, and at the same time to
16 insure to those furnishing such service and facilities an adequate
17 and sure compensation. It is the further purpose of this act
18 to encourage the professions and organizations concerned with
19 the furnishing of medical care and services incident thereto, to
20 increase their facilities and to offer higher standards of per-
21 formance to supply adequately the requirements of the health
22 service system herein provided. Such encouragement is in-

1 tended further to stimulate and improve the standards and facil-
2 ities for medical education available within the State. The
3 Legislature of the State of California therefore declares that this
4 act is essential to the health, safety and welfare of the people of
5 this State.

6

7

Article 2. Definitions and General Provisions

8

9 SEC. 5. The definitions and general provisions set forth
10 in this article shall, unless the context otherwise requires, gov-
11 ern the meaning of the terms used in this act.

12 SEC. 6. Article headings shall not restrict or limit or in
13 any manner affect the meaning of any section of this act.

14 SEC. 7. "Person" includes association, organization, part-
15 nership, business trust, and corporation.

16 SEC. 8. "Commission" means the California Employment
17 Stabilization Commission created by the Unemployment Insur-
18 ance Act.

19 SEC. 9. "Authority" means the California Health Service
20 Authority created by this act.

21 SEC. 10. "Employment," subject to the other provisions
22 of this act, means service, including service in interstate com-
23 merce, performed for wages or under any contract of hire, writ-
24 ten or oral, express or implied.

25 (a) The term "employment" shall include an individual's
26 entire service, performed within or both within and without
27 this State if:

28 1. The service is localized in this State; or

29 2. The service is not localized in any State but some of the
30 service is performed in this State and (1) the base of operations,
31 or, if there is no base of operations, then the place from which
32 such service is directed or controlled, is in this State; or (2) the
33 base of operations or place from which such service is directed
34 or controlled is not in any State in which some part of the serv-
35 ice is performed, but the individual's residence is in this State.

36 (b) Service shall be deemed to be localized within a State if

37 1. The service is performed entirely within such State; or

38 2. The service is performed both within and without such
39 State, but the service performed without such State is incidental
40 to the individual's service within the State; for example, is
41 temporary or transitory in nature, or consists of isolated
42 transactions.

43 (c) "Employment" includes services performed for an
44 employing governmental unit.

45 SEC. 11. The term "employment" does not include:

46 (a) Agricultural labor;

47 (b) Domestic service in a private home;

48 (c) Services performed by an officer or member of the crew
49 of a vessel which is not an American vessel;

50 (d) Service performed by an individual in the employ of
51 his son, daughter, or spouse, and service performed by a child

1 under the age of twenty-one in the employ of his father or
2 mother;

3 (e) Service performed in the employ of the United States
4 Government or of an instrumentality of the United States; pro-
5 vided, that in the event that the Congress of the United States
6 shall permit the States to require any instrumentalities of the
7 United States to make payments into a fund under a State health
8 insurance act, and to comply with State regulations thereunder,
9 then, to the extent permitted by Congress, and from and after
10 the date as of which such permission becomes effective, all of the
11 provisions of this act shall be applicable to such instrumental-
12 ities and to services performed for such instrumentalities in the
13 same manner, to the same extent, and on the same terms as to all
14 other employers, employing units, individuals and services;

15 (f) Service performed by clergymen and members of a reli-
16 gious order, if they receive no compensation as such other than
17 sustenance pursuant to the rules of their respective order.

18 (g) Service performed by uncompensated officers or
19 employees of a corporation or association where the corporation
20 or association is not subject to a tax under Title IX of the Social
21 Security Act;

22 (h) Service performed by directors of a corporation or asso-
23 ciation receiving a per diem of not more than twenty dollars for
24 attending meetings of the board of directors, with or without
25 a reasonable mileage for going to and from meetings of the
26 board and other reasonable expenses incidental to attending
27 such meetings where the corporation or association is not sub-
28 ject to a tax under Title IX of the Social Security Act;

29 (i) If, when, and during such time as the definition of the
30 term "employment," as contained in Title IX of the Social
31 Security Act, excludes from "employment" any one or more of
32 the following types of service, then that type or types of service
33 as are so excluded shall likewise be excluded from the definition
34 of employment as contained in this section:

35 (1) Domestic service in a local college club, or local chapter
36 of a college fraternity or sorority;

37 (2) Casual labor not in the course of the employer's trade or
38 business;

39 (3) Service performed in any calendar quarter in the employ
40 of any organization exempt from Federal income tax if

41 (i) The remuneration for such service does not exceed forty-
42 five dollars, or

43 (ii) Such service is in connection with the collection of dues
44 or premiums for a fraternal beneficiary society, order or associa-
45 tion and is performed away from the home office or is ritualistic
46 service in connection with any such society, order or asso-
47 ciation, or

48 (iii) Such service is performed by a student who is enrolled
49 and is regularly attending classes at a school, college or uni-
50 versity.

51 (4) Service performed in the employ of an agricultural or
52 horticultural organization;

1 (5) Service performed in the employ of a voluntary
2 employees' beneficiary association providing for the payment
3 of life, sick, accident, or other benefits to the members of such
4 association or their dependents, if

5 (i) No part of its net earnings inures (other than through
6 such payments) to the benefit of any private shareholder or
7 individual, and

8 (ii) 85 per centum or more of the income consists of amounts
9 collected from members for the sole purpose of making such
10 payments and meeting expenses;

11 (6) Service performed in the employ of a voluntary
12 employees' beneficiary association providing for the payment
13 of life, sick, accident, or other benefits to the members of such
14 association or their dependents or designated beneficiaries, if

15 (i) admission to membership in such association is limited to
16 individuals who are employees of the United States Government,
17 and (ii) no part of the net earnings of such association inures
18 (other than through such payments) to the benefit of any pri-
19 vate shareholder or individual;

20 (7) Service performed in any calendar quarter in the employ
21 of a school, college, or university, not exempt from Federal
22 income tax, if such service is performed by a student who is
23 enrolled and is regularly attending classes at such school, col-
24 lege, or university, and the remuneration for such service does
25 not exceed \$45 (exclusive of room, board, and tuition);

26 (8) Service performed in the employ of a foreign govern-
27 ment (including service as a consular or other officer or employee
28 or a nondiplomatic representative);

29 (9) Service performed in the employ of an instrumentality
30 wholly owned by a foreign government.

31 (i) If the service is of a character similar to that performed
32 in foreign countries by employees of the United States Govern-
33 ment or of an instrumentality thereof; and

34 (ii) If the Secretary of State shall certify to the Secretary
35 of the Treasury that the foreign government, with respect to
36 whose instrumentality exemption is claimed, grants an equiv-
37 alent exemption with respect to similar service performed in
38 the foreign country by employees of the United States Govern-
39 ment and of instrumentalities thereof;

40 (10) Service performed as a student nurse in the employ of
41 a hospital or a nurses' training school by an individual who is
42 enrolled and is regularly attending classes in a nurses' training
43 school chartered or approved pursuant to State law; and serv-
44 ice performed as an interne in the employ of a hospital by an
45 individual who has completed a four years' course in a medical
46 school chartered or approved pursuant to State law.

47 SEC. 12. If the services performed during one-half or more
48 of any pay period by an employee for the person employing him
49 constitute employment, all the services of such employee for such
50 period shall be deemed to be employment; but if the services
51 performed during more than one-half of any such pay period by
52 an employee for the person employing him do not constitute

1 employment, then none of the services of such employee for
2 such period shall be deemed to be employment. As used in
3 this paragraph the term "pay period" means a period (of
4 not more than thirty-one consecutive days) for which a payment
5 of remuneration is ordinarily made to the employee by the
6 person employing him.

7 SEC. 13. All references to Title IX of the Social Security
8 Act contained in this act shall be deemed to refer to Title IX
9 of the Federal Social Security Act or to the corresponding
10 provisions of the Federal Internal Revenue Code or any other
11 Federal act into which the provisions of said title now are or
12 hereafter may be incorporated.

13 SEC. 14. "Employing unit" has the meaning set forth in
14 Section 8.5 of the Unemployment Insurance Act and includes
15 this State, any county, city and county, municipality, district,
16 or other political subdivision thereof.

17 SEC. 15. "Employer" has the meaning set forth in Article
18 2 of the Unemployment Insurance Act except that "employ-
19 ment" as used therein shall have the meaning set forth in this
20 act.

21 SEC. 16. "Employee" means an individual performing
22 services in employment for an employer subject to this act and
23 includes public officials whether elected or appointed.

24 SEC. 17. "Wages" has the meaning set forth in Section
25 11 of the Unemployment Insurance Act except that subdivision
26 (c) (1) of said section shall not be applicable for the purposes
27 of this act.

28 SEC. 18. "Dependent" refers to:

- 29 (a) A legally dependent spouse;
30 (b) Dependent children under the age of 18.

31 SEC. 19. "Fund" means the Health Service Fund in the
32 State treasury.

33 SEC. 20. "Registration" means registration with the
34 California Health Service Authority to render service under this
35 act; "register" or "registered" refers to such registration;
36 and "registrant" refers to a person so registered.

37 SEC. 21. All references herein to the Unemployment
38 Insurance Act shall be deemed to refer to said act as now or
39 hereafter amended.

40 SEC. 22. "American Vessel" means any vessel documented
41 or numbered under the laws of the United States; and includes
42 any vessel which is neither documented or numbered under the
43 laws of the United States nor documented under the laws of any
44 foreign country, if its crew is employed solely by one or more
45 citizens or residents of the United States or corporations organ-
46 ized under the laws of the United States or of any State.

47 SEC. 23. This act may be cited as the "California Pre-
48 paid Health Service Act."

Article 3. Fundamental Principles

SEC. 40. No contract, rule, or regulation under this act shall be entered into or prescribed by the Authority which in any manner impairs, restricts, or confines the free choice of any person of a physician and surgeon, dentist, optometrist or hospital registered under this act. Registration of any physician and surgeon, dentist, optometrist or hospital shall not be denied, revoked or suspended except upon notice and hearing as herein provided.

SEC. 41. It is a misdemeanor for any employer to require membership in any system or organization granting any health service as a condition of employment, and any such condition in any contract of employment is void.

SEC. 42. The determination of an individual's right to health services under this act, the hearing and determination of appeals relating thereto, and the collection of the taxes imposed by this act, the adjustment thereof and all matters relating thereto is the function and duty of the California Employment Stabilization Commission. The administration of the health services provided by this act and all matters relating thereto is the function and duty of the California Health Service Authority. But the commission and the authority are coordinate authorities in the administration of this act and each has power to make rules and regulations, not inconsistent with this act, in the furtherance of its function and duties, and of the purposes of this act. Such rule or regulation made by either shall be valid and effective even though it indirectly affects the function or duties of the other, if properly filed as provided by Section 721, Political Code, and evidence is maintained in a file open to public inspection, in the office at Sacramento of the commission or authority making the rule or regulation, that within five days of the date of adoption of the rule or regulation, a copy thereof was filed in the Sacramento office of the other coordinate body. If such rule or regulation would conflict with the powers vested in the other coordinate body, the Governor may by written order issued within five days of the date of adoption of such rule or regulation, suspend the operation thereof for such time as he considers necessary.

Article 4. Health Services

SEC. 50. Health services are:

- (a) Basic services and
- (b) Additional benefits.

SEC. 51. Basic services are the following:

- (a) General practitioner services rendered by a licensed physician or surgeon licensed in this State and registered under this act, whenever such services are required by the standards of good medical practice for preventive, diagnostic, therapeutic or other medical treatment or care. Such services may be rendered at the physician's office, in a hospital or clinic, or any

1 where else within the State of California, in accordance with
2 the standard of medical practice in the community in which
3 the service is rendered.

4 (b) Consultation and specialist services in addition to those
5 of the general practitioner.

6 (c) Laboratory and X-ray services.

7 (d) Necessary hospitalization, excluding ambulance services,
8 for a period not to exceed 21 days in any calendar year for each
9 separate and distinct illness or injury.

10 (e) Drugs, medicines and biologics, bandages, splints and
11 other supplies prescribed by the attending physician and
12 surgeon, when used in course of treatment in a hospital, except
13 that if a preventive biologic is required the patient need not be
14 in a hospital.

15 (f) Such general nursing service as is afforded by the hos-
16 pital in which the treatment is given, but not private or special
17 nursing service.

18 (g) Dental services for the treatment of the diseases and
19 injuries of the jaws and their dependent tissues, including tooth
20 removal, but excluding tooth replacement, tooth restoration,
21 orthodontics, and treatment for Periodontoclasia (Pyorrhea).

22 SEC. 52. Basic services shall not include ocular refraction
23 or the provision of ophthalmic materials.

24 SEC. 53. Basic services other than dental or general
25 practitioner services shall be furnished only upon the certificate
26 of the general practitioner or specialist to whom the patient is
27 referred.

28 SEC. 54. Basic services shall be furnished for tubercu-
29 losis and mental infirmities or disorders only up to time of
30 diagnosis of such conditions.

31 SEC. 55. Basic services provided by Section 51 (d) shall
32 be limited to ward accommodations, but nothing contained
33 herein shall be construed to prohibit any registered hospital
34 from charging or receiving fees or charges from a patient in
35 addition to those provided by the authority from the Health
36 Service Fund for higher priced accommodations furnished at
37 the request of the patient.

38 SEC. 56. Restrictions, limitations, or modifications of
39 basic services may be provided by rule or regulation of the
40 authority only when such rules or regulations are adopted by a
41 two-thirds vote of the members. Such restrictions, limitations
42 or modifications may be made only in respect to the extent to
43 which basic services include the first treatment by the prac-
44 titioner and with respect to calls by the practitioner at the home
45 of the patient. All other rules and regulations may be made by
46 the authority by vote of the majority of its members.

47 The Governor may by written order issued within five days
48 of the date of adoption of such rule or regulation, suspend the
49 operation thereof for such time as he considers necessary.

50 SEC. 57. Health services shall not be furnished under
51 this act for an injury which is compensable under any workmen's

1 compensation law or employer's liability law except as pro-
2 vided in Article 5.

3 SEC. 58. Additional benefits are benefits additional to the
4 basic services, as follows:

5 (a) When in its opinion the financial resources of the Health
6 Service Fund warrant, the authority may by rule or regula-
7 tion provide any one or more of the following: increase of
8 hospitalization period, additional drugs, additional medical or
9 dental services, ocular refraction or the providing of ophthalmic
10 materials by licensed optometrists or licensed physicians and
11 surgeons.

12 (b) In case of dental service, the authority in providing
13 additional benefits, shall not designate methods of treatment
14 or materials to be used for tooth replacement or tooth restora-
15 tion. In order to allow for a difference in cost of materials, the
16 authority may pay any part of the whole costs of dental services
17 exclusive of those provided for under Section 51 for any period
18 it designates.

19 (c) In case of ocular refraction or the providing of ophthal-
20 mic materials by a licensed optometrist, the authority shall not
21 in providing additional benefits, require a prior referral or
22 prescription by a physician and surgeon.

23 SEC. 59. *Notwithstanding any other provision of this act,*
24 *(1) an employee who has during the first four out of the five*
25 *completed calendar quarters immediately preceding any April*
26 *first earned wages in employment of more than five thousand*
27 *dollars (\$5,000) and (2) his dependents, shall not be eligible to*
28 *receive any health services under this act during the 12 months*
29 *immediately following such first day of April, but shall in lieu*
30 *thereof during such period be paid in reimbursement of expend-*
31 *itures made by him for services of a type furnished by the*
32 *authority hereunder rendered to him and his dependents dur-*
33 *ing such period, the amount which the authority would have*
34 *expended in furnishing the services if the services had been*
35 *furnished by the authority.*

36 *Claims for reimbursement shall be filed with the authority*
37 *within the time set and in the form and manner prescribed and*
38 *such claims shall be allowed in accordance with a fee schedule*
39 *established by regulations, and payment shall be made out of*
40 *any moneys in the Health Service Fund.*

41 42 Article 5. Eligibility for Health Services

43
44 SEC. 70. Every employee and each of his dependents shall
45 be eligible to receive basic services as provided by this act, dur-
46 ing the six month period beginning July 1, 1947 and during
47 each six month period thereafter beginning with the first day
48 of January or the first day of July if the employee has been
49 paid wages in employment under this act of not less than one
50 hundred fifty dollars (\$150) during the corresponding six
51 month period in the preceding calendar year. *ing during the*
52 *12 month period beginning April 1, 1947, and during each 12*

1 month period thereafter beginning with the first day of April
2 in each year if the employee has been paid wages in employment
3 under this act of not less than three hundred dollars (\$300)
4 during the first four of the five completed calendar quarters
5 next preceding, except that if the employee was not paid wages
6 as aforesaid and he was paid wages in employment of three
7 hundred dollars (\$300) during the first four of the five com-
8 pleted calendar quarters next preceding any other calendar
9 quarter he shall be eligible to receive basic services as provided
10 by this act during that calendar quarter until the first day of
11 April next following.

12 SEC. 71. Employers shall furnish to each of their employees
13 evidence of eligibility for benefits at such time and in such form
14 as the commission by regulation prescribes.

15 SEC. 72. If any health service is furnished under this act
16 to any individual having a right or claim for compensation or
17 damages in whole or in part for or on account of any disability,
18 injury, or illness against any other person, or having a right
19 or claim for compensation under a workmen's compensation or
20 employer's liability law of this State, or any other State or the
21 Federal Government, the Health Service Fund shall, to the
22 extent of the cost of the services, be entitled to reimburse-
23 ment out of any sum or damages which the recipient of such
24 services receives or is entitled to receive by way of compensa-
25 tion or through suit, settlement or judgment. The commis-
26 sion, on behalf of the Health Service Fund, shall to that extent
27 be subrogated to the rights or claims of the recipient of the
28 services against such other person in cases in which the injuri-
29 ous act of such third person causes a disabling condition
30 entitling the recipient to services under this act and in cases
31 in which the workmen's compensation law or employer's lia-
32 bility law of this State, or of any other State or the Federal
33 Government, grants compensation.

34 SEC. 73. Upon notice being given as provided herein to
35 the person against whom the right or claim exists or is asserted,
36 the Commission has a lien upon the right or claim, and upon
37 the sum or damages paid or received thereunder, to the extent
38 of the amount for which the Health Service Fund is entitled
39 to reimbursement.

40 SEC. 74. If any individual claiming or receiving serv-
41 ices has a right or claim described in Section 5.3, but unreason-
42 ably refuses or neglects to take the necessary action to enforce
43 his right or claim within such time as the commission by regula-
44 tion prescribes, the commission may, at its own expense, take
45 such action or proceedings in the name and in behalf of the
46 individual as it deems necessary to enforce his right or claim.
47 Any sum recovered by the commission in such an action or
48 proceeding, through a settlement, judgment, or otherwise, in
49 excess of the amount to which the fund is entitled by way of
50 reimbursement plus the reasonable expenses of the commission
51 in connection with such action or proceeding, shall be held by
52 the Commission as trustee for the individual in whose behalf

1 the action was undertaken. In the event that the commission
2 undertakes an action or proceeding and fails therein, the costs
3 and expenses thereof shall be payable out of the Health Service
4 Fund.

5 SEC. 75. The authority may furnish services under this
6 act to any individual having or claiming to have rights to com-
7 pensation or damages pending the settlement or determination
8 of his right or claim. The furnishing of services to such an indi-
9 vidual shall be without prejudice to any method of recovery
10 provided in this act. If the authority furnishes or intends to
11 furnish services under this act, it may give written notice to
12 the person against whom the recipient of such services has or
13 claims a right to compensation or damages and furnish a copy to
14 the commission. After the receipt of such notice and of a certi-
15 fied statement of the amount of the advances actually made,
16 such person shall pay to the commission to the extent of the
17 amount for which he is liable, less any sums which he may have
18 actually paid to the commission prior to the receipt of such
19 notice, the costs of the services paid by the authority. A copy
20 of such certified statement shall promptly be filed by the
21 authority with the commission, with a statement showing its
22 delivery to such person and the date thereof. The receipt by
23 the commission of any of such payments, to the extent thereof,
24 constitutes a full and valid discharge of the claims of the recip-
25 ient against such third person.

26
27 Article 6. The California Health Service Authority
28

29 SEC. 90. There is in the Department of Public Health in
30 addition to the existing officers and board the California Health
31 Service Authority. The California Health Service Authority
32 consists of the authority of 11 members and the manager.

33 The Director of Public Health shall be ex officio a member of
34 the authority. The Governor shall appoint the other 10 mem-
35 bers of the authority and shall designate the chairman. Except
36 as provided in Section 6.2, the term of office of the appointed
37 members shall be four years and until their successors are
38 appointed and qualified. Vacancies occurring during a term
39 shall be filled by appointment for the unexpired term. The
40 appointive members shall each receive as compensation the
41 sum of twenty-five dollars (\$25) per day for each day or frac-
42 tion thereof while in attendance at meetings of the authority
43 and in addition shall receive their actual and necessary expenses
44 incurred in the discharge of their duties.

45 Appointments shall be so made that the full membership of
46 the commission shall at all times consist of the following:

47 (a) Three representatives of employers, including one
48 employer of agricultural labor.

49 (b) Three representatives of employees, including two rep-
50 resentatives of organized labor, and one public employee.

51 (c) Three persons holding licenses as physician and surgeon,
52 one of whom is experienced in hospital management.

1 (d) One licensed dentist.

2 (e) The Director of Public Health.

3 SEC. 91. The Governor shall make the first appointments
4 for terms expiring, respectively, as follows:

5 (a) One licensed dentist for a term expiring on the fifteenth
6 day of January, 1946.

7 (b) One representative of employers, one representative of
8 employees, and one physician and surgeon for terms expiring
9 on the fifteenth day of January in the year 1947.

10 (c) One representative of employers, one representative of
11 employees and one physician and surgeon for terms expiring on
12 the fifteenth day of January in the year 1948.

13 (d) One representative of employers, one representative of
14 employees and one physician and surgeon for terms expiring on
15 the fifteenth day of January in the year 1949.

16 SEC. 92. The members of the authority shall meet regu-
17 larly once a month and at such other times as the chairman or
18 majority of the members thereof determine to be necessary.
19 Six members of the authority shall constitute a quorum for the
20 performance of any duty or for the exercise of any power of the
21 authority.

22 SEC. 93. The authority hereby established, shall advise
23 the manager appointed pursuant to Section 6.5 hereof, in the
24 performance of his duties and formulate general policies affect-
25 ing the purposes, responsibilities and jurisdiction under this
26 act. The authority shall have the power:

27 (a) To adopt, promulgate, repeal and amend rules and regu-
28 lations consistent with law necessary or advisable to carry out
29 the provisions of this act.

30 (b) To prescribe by rule or regulation standards of health
31 service and prescribe rates, fees or charges to be claimed and
32 paid for all health services furnished under this act. In pre-
33 scribing such rates, fees or charges, the authority shall have
34 regard for the necessity of furnishing proper and adequate
35 benefits. Such rates, fees or charges need not be uniform
36 throughout the State.

37 (c) To adopt a procedure for the establishment of and pay-
38 ment of claims for health services.

39 (d) To adopt a procedure for the review and settlement of
40 disputed claims upon demand by the claimant of any claim
41 denied in whole or in part. The authority may provide for a
42 rehearing and for action upon such rehearing.

43 (e) To provide a procedure for registration of physicians
44 and surgeons, dentists, and optometrists licensed as such under
45 the laws of this State, and for registration of hospitals, for the
46 purpose of rendition of health service. A hospital shall not be
47 registered under this act except after prior approval by the
48 authority, subject to such conditions as the authority by rule or
49 regulation prescribes. Such approval shall be based upon
50 standards prescribed by rule or regulation of the authority and
51 upon such investigation as the authority considers desirable
52 for the purpose of establishing compliance with such standards.

1 (f) At any time, to investigate any registered hospital to
2 determine its compliance with this act and the rules and regula-
3 tions adopted under this act.

4 (g) To contract for furnishing services to persons entitled
5 thereto under this act, with any employer, registrant, or group
6 of registrants organized and maintaining facilities for furnish-
7 ing to their employees or other individuals or both health serv-
8 ices at least equal to the standards prescribed by the authority.
9 Each organization contracting with the authority for furnish-
10 ing services to individuals eligible thereto under this act shall
11 be deemed to be a single registrant, and no individual entitled
12 to receive services provided by such organization under a con-
13 tract with the authority shall be permitted any choice of the
14 individual practitioners other than as provided or permitted
15 by the organization. Such contracts may provide for payment
16 for services on a per capita or any other basis found to be fair
17 and reasonable by the authority.

18 (h) To require that a portion of the moneys expended out
19 of the Health Service Fund under contracts with various per-
20 sons to provide health services or any portion thereof be used
21 for construction, maintenance, the establishment of reserve
22 funds for depreciation or obsolescence or to fund or pay obli-
23 gations or contracts for buildings, facilities or equipment.

24 (i) To provide for increase of basic hospital service by pro-
25 viding for cumulative increase of periods of hospitalization to
26 employees and their dependents or other persons entitled to
27 such hospitalization service but not receiving any such service
28 during preceding calendar year or years.

29 (j) To provide for care of convalescent cases in convalescent
30 homes and for nursing service in connection therewith.

31 (k) To make surveys of the State with respect to the problems
32 of health service therein, looking toward extension of the serv-
33 ices provided by this act.

34 (l) To approve or reject contracts with the United States
35 Government for the extension of health service to persons within
36 the State of California.

37 (m) To approve or reject the recommendations of the mana-
38 ger; relating to the division of the State into districts for pur-
39 poses of administration of health service.

40 (n) To deny registration to and to revoke or suspend the
41 registration of any physician and surgeon, dentist, optometrist,
42 or hospital after notice and hearing. The proceedings shall be
43 conducted in accordance with Chapter 5 of Part 1 of Division 3
44 of Title 2 of the Government Code, and the authority shall have
45 all the powers granted therein. The authority shall have the
46 power to delegate the duty of hearing and deciding to a com-
47 mittee of registrants holding the same professional license if
48 any, as the person who is the subject of the hearing.

49 Sec. 94. The authority and the commission shall prepare
50 and submit to the Legislature through the Governor within the
51 first 30 days of the Fifty-seventh Regular Session, reports with
52 respect to the operations of the Health Service System estab-

lished by this act. Such reports shall include recommendations of proposed legislation deemed necessary and a statement of the accumulated reserve in the Health Service Fund and an estimate of probable future expenditures and of the solvency of the fund to fulfill the purposes of this act.

SEC. 95. There shall be a Manager of the California Health Service Authority. The manager shall be appointed by and serve at the pleasure of the Governor upon recommendation of the authority. The salary of the Manager of the Health Service Authority is twelve thousand dollars (\$12,000) a year. He shall act as secretary of the authority.

SEC. 96. The manager is the executive officer of the California Health Service Authority and shall administer the rules and regulations of the authority. He shall have the power and it shall be his duty:

(a) To observe and report to the Governor and the authority on the conditions of the system throughout the State.

(b) To perform such other duties as may be prescribed by law and such other administrative and executive duties as have, by other provisions of this act, been imposed upon the authority.

(c) To appoint, subject to the State Civil Service Act, such assistants and other employees as are necessary for the administration of the affairs of the system, to prescribe their duties, fix salaries, and require them to execute to the State such official bonds as may be required.

(d) To create, with the advice of the authority and subject to the approval of the Governor, such divisions as may be necessary and may consolidate, divide or abolish them from time to time.

(e) To provide and operate, with the approval of the authority, such district offices as are deemed necessary.

(f) With the approval of the authority, to establish and maintain a statistical plan for the making and maintaining of records showing the experience of the Health Service System in the furnishing of health service provided by this act; to the end that the records of the system shall at all times show, in so far as practicable, the expense of each component part of the system.

(g) To administer all expenditures out of the revolving fund for the purpose of furnishing health service and all matters incidental thereto.

(h) To prepare and file annually with the Governor a report of the expenditures for rendition of health service and for the administration thereof. The report shall set forth the statistical plan adopted for the classification and maintenance of the experience of the system and shall, under headings corresponding to such statistical plan, show such matters with respect thereto as in the opinion of the manager should be presented to the Governor and to the public.

SEC. 97. The commission, the authority and the manager may, on behalf of the system and in the name of the State of California:

1 (a) Sue and be sued in all actions arising out of any act or
2 omission in connection with the system or fund, or in connec-
3 tion with its business or affairs.

4 (b) Enter into any contracts or obligations relating to the
5 Health Service System which are authorized or permitted by
6 law.

7 (c) Invest and reinvest the moneys belonging to the fund
8 as provided in this act.

9 (d) Conduct all business and affairs and perform all acts
10 relating to the system or fund, whether or not specifically desig-
11 nated in this act.

12 (e) The authority, any member thereof, the manager, any
13 committee selected by the authority to conduct, hear and
14 determine investigations, inquiries, hearings or reviews relat-
15 ing to professional matters when authorized by resolution of
16 the authority, and any assistant authorized thereto by the man-
17 ager, shall in respect to investigations and hearings in the course
18 of administration of this act have all the powers granted heads
19 of departments by Article 2 of Chapter 2 of Part 1 of Division
20 3 of Title 2 of the Government Code. The provisions of this
21 section shall not apply to proceedings conducted in accordance
22 with Chapter 5 of Part 1 of Division 3 of Title 2 of the Gov-
23 ernment Code.

24 SEC. 98. All proceedings of the authority shall be open to
25 the public unless a closed hearing is requested by a claimant.
26 The medical records, and all other information furnished to the
27 authority or the commission by an employing unit, an applicant
28 for health services, or a registrant, pursuant to this act except
29 to the extent necessary for the proper administration of this act,
30 shall be confidential and shall not be published or be open to
31 public inspection in any manner revealing the identity of the
32 parties, nor admissible in evidence in any action or special
33 proceeding, other than one arising out of the provisions of
34 this act.

35 SEC. 99. Appointees of the governor and persons hold-
36 ing positions designated to be confidential pursuant to para-
37 graph (5) of subdivision (a) of Section 4 of Article XXIV of
38 the Constitution of the State (for the purpose of which para-
39 graph the authority and the manager shall be considered sepa-
40 rate boards, commissions and officers) shall be exempt from
41 civil service.

42 SEC. 100. The following are cause for denial, suspen-
43 sion, or revocation of registration by the authority under
44 this act:

45 (a) Any of the following acts done or committed while the
46 registrant was rendering health service under the provisions
47 of this act: (1) the splitting of a fee or the rebate of any part
48 of a fee received out of the Health Service Fund, to any person;
49 (2) any violation of the Medical Practice Act or Dental Prac-
50 tice Act of this State; (3) serious neglect of the welfare of a
51 patient; (4) a fraudulent act, or any act showing intent to

1 defraud a patient or the State; (5) the charging or receiv-
2 ing of a fee by a registrant other than a hospital in addition to
3 that provided by the authority from the Health Service Fund,
4 *except that the charging or receiving of a fee by a registrant in*
5 *addition to that provided by the authority from the Health*
6 *Service Fund is permitted in the case of rendition of services*
7 *to an employee entitled to reimbursement pursuant to Section*
8 *59 hereof for all or part of the cost of the services and to his*
9 *dependents.*

10 (b) Habitual intemperance.

11 (c) Habitual use of narcotic drugs.

12 (d) A wilfully false statement in a document or paper filed
13 with or tendered to the authority or to its manager for the pur-
14 pose of establishing a claim to payment out of the Health Serv-
15 ice Fund.

16 (e) Any knowing or wilful violation of this act or any rule
17 or regulation adopted thereunder.

18
19 Article 7. The Health Service Fund and Health
20 Service System

21
22 SEC. 110. There is hereby created the "Health Service
23 Fund," the moneys and securities of which shall be held in
24 trust by the State Treasurer and administered under the direc-
25 tion of the commission and the authority, to make available the
26 health services provided by this act and to provide the means
27 therefor.

28 SEC. 111. The fund shall be a trust fund. It shall con-
29 sist of:

30 (a) Such specific appropriations as the Legislature from
31 time to time makes or sets aside for the use of the fund.

32 (b) All income received and paid into the fund in accord-
33 ance with the provisions of this act.

34 (c) All property and securities acquired by and through the
35 use of moneys belonging to the fund.

36 (d) All interest earned upon moneys belonging to the fund
37 and deposited or invested as provided in this act.

38 SEC. 112. The State Treasurer shall be the custodian of
39 all moneys and securities belonging to the Health Service Fund,
40 except as otherwise provided in this act. He shall be liable on
41 his official bond for the safekeeping thereof.

42 All moneys which belong to the fund and are collected or
43 received under this act shall be delivered to the State Treasurer
44 or deposited to his credit in such bank or banks throughout the
45 State as he designates.

46 All securities belonging to the fund shall be delivered to the
47 Treasurer and held by him until otherwise disposed of as
48 provided in this act.

49 SEC. 113. Upon such delivery or deposit, such moneys
50 and securities shall be credited by the State Treasurer to the
51 fund. No moneys received or collected on account of the fund

1 shall be expended or paid out without first passing into the State
2 treasury and being drawn therefrom as provided in this act.

3 SEC. 114. The State Controller shall keep special ledger
4 accounts showing all of the assets in the State treasury per-
5 taining to the Health Service Fund.

6 SEC. 115. The prorata overhead charges of State Govern-
7 ment shall be assessed against the fund in the same manner as
8 they are assessed against all other State departments, agencies
9 and special funds.

10 SEC. 116. The expenses of collection of the income to the
11 fund performed by another State agency shall be allowed by
12 the authority in the same manner as other claims are allowed.

13 SEC. 117. Refunds payable or credits due may be paid
14 from the Health Service Fund.

15 SEC. 118. The authority with the approval of the Board
16 of Control shall cause all moneys in the Health Service Fund
17 which are in excess of current requirements to be invested and
18 reinvested, from time to time, in securities authorized by law
19 for the investment of funds of savings banks.

20 SEC. 119. All money in the fund is hereby continuously
21 appropriated without regard to fiscal years for the purposes
22 authorized by this act. The assets of the fund shall be applicable
23 to the payment of claims for authorized services performed in
24 accordance with this act and the rules and regulations of the
25 authority, to the payment of the salaries and other expenses
26 necessarily incurred in the operation of the fund, and to the
27 payment of refunds. The State shall not be liable beyond the
28 assets of the Health Service Fund for any obligations in con-
29 nection therewith except as specifically provided in this act.

30 SEC. 120. The authority may, with the approval of the
31 State Department of Finance, withdraw from the Health Serv-
32 ice Fund in the State treasury, without at the time presenting
33 vouchers and itemized statements, a sum determined to be neces-
34 sary as a cash revolving fund. Such revolving fund shall be
35 deposited in such banks and under such conditions as the author-
36 ity determines, with approval of the State Department of
37 Finance. The Controller shall draw his warrants in favor of
38 the authority for the amounts so withdrawn, and the Treasurer
39 shall pay such warrants.

40 SEC. 121. Expenditures made from the Revolving Fund in
41 payments on claims arising out of the activities of the Health
42 Service System are exempted from the operation of Section 669
43 of the Political Code. Reimbursement of the Revolving Fund
44 for such expenditures shall be made upon presentation to the
45 Controller of an abstract or statement of such expenditures.
46 Such abstract shall be in such form as the Controller requires.

47 SEC. 122. Whenever moneys are collected, but it is not
48 immediately certain what portion thereof constitutes taxes pay-
49 able under this act and what portion constitutes contributions
50 payable under the Unemployment Insurance Act, the commis-
51 sion may, if it desires, pay such moneys into the "Special
52 Deposit Fund" in the State treasury as provided in Section

1 453a, Political Code, subject to recovery by the commission and
2 transfer to the proper accounts in the Unemployment Fund and
3 the Health Service Fund upon ascertainment by the commis-
4 sion of the amounts allocable to each fund, respectively, out of
5 moneys so collected.

6 SEC. 123. The commission and authority shall, as soon
7 as practicable after the end of each calendar year, file with the
8 Governor, the State Department of Finance, and the Controller
9 an abstract or statement showing the resources and liabilities
10 and a summary statement of the transactions affecting the
11 Health Service Fund. The Department of Finance shall audit
12 such abstract or statement.

13 SEC. 124. The amount of administrative expenses by the
14 commission and the authority for each fiscal year shall not
15 exceed ten per cent of all money deposited in the Health Service
16 Fund during such fiscal year.

17
18 Article 8. Health Service Taxes

19
20 SEC. 136. Every employer shall pay into the Health Serv-
21 ice Fund taxes equal to the following amount: From July 1,
22 1946, to December 31, 1946, both dates inclusive, with respect
23 to wages paid during that period and for each calendar year
24 commencing after December 31, 1946, with respect to wages
25 paid by him during such year, one and one-half per cent ($1\frac{1}{2}\%$)
26 of all wages paid by him for employment subject to this act.

27 SEC. 137. (a) Taxes shall accrue and become payable to
28 the Health Service Fund by every employer, in accordance
29 with regulations prescribed as provided in this act.

30 (b) Except as provided by this section, the provisions of
31 Article 4 of the Unemployment Insurance Act with respect to
32 "contributions" under that act shall be applicable to "taxes"
33 under this act.

34 (c) Sections 37, 38, 39, 40, 41, 41.1, 41.2, 41.3, 41.5, 42, 43,
35 and 44 of said Article 4 of the Unemployment Insurance Act
36 shall not be applicable to matters arising under this act.

37 (d) Such taxes shall be payable upon the ~~first four thousand~~
38 ~~dollars (\$4,000)~~ *five thousand dollars (\$5,000)* or less of wages
39 paid in any calendar year to any employee by such employer,
40 and shall be in the amounts and at the rates provided in this
41 act; except that taxes shall be payable upon only the first ~~two~~
42 ~~thousand dollars (\$2,000)~~ *two thousand five hundred dollars*
43 *(\$2,500)* or less of wages paid to each employee during the
44 period July 1, 1946 to December 31, 1946.

45 (e) Except as provided by this act, taxes shall not be
46 deducted in whole or in part from the wages of any person
47 performing service for an employer.

48 (f) In the payment of any taxes, a fractional part of a cent
49 shall be disregarded unless it amounts to one-half cent or more,
50 in which case it shall be increased to one cent (\$0.01).

1 SEC. 138. The amount of tax payable by this State, any
2 county, city and county, municipality, district, or other polit-
3 ical subdivision thereof, under this act shall automatically
4 increase all statutory debt and liability limits otherwise appli-
5 cable to any such units by the amount so payable.

6 SEC. 139. The manner and method of reporting, and of
7 remitting taxes pursuant to this act, by governmental employ-
8 ers may be prescribed by special rules and regulations of the
9 commission.

10 SEC. 140. Nothing herein shall be construed to grant any
11 employer or his employees prior claims or rights to the amounts
12 contributed by him or them to the fund, either on his own
13 account, or on behalf of his employees. The amount of
14 employer taxes, together with employee taxes shall be pooled
15 and available for the furnishing of health service to any per-
16 son entitled thereto under the provisions of this act regardless
17 of the source of such tax.

18 SEC. 142. Beginning on July 1, 1946, each employee per-
19 forming services for an employer subject to this act, shall pay
20 taxes to the fund in the amount of one and one-half per cent
21 ($1\frac{1}{2}\%$) of his wages up to ~~four thousand dollars (\$4,000)~~ *five*
22 *thousand dollars (\$5,000)* in any calendar year paid by
23 employers with respect to employment; provided that such taxes
24 shall be payable upon the first ~~two thousand dollars (\$2,000)~~
25 *two thousand five hundred dollars (\$2,500)* or less of the wages
26 paid to an employee during the period July 1, 1946, to Decem-
27 ber 31, 1946.

28 SEC. 143. Each employer shall, notwithstanding any
29 provisions of the law of this State to the contrary, withhold in
30 trust the amount of his employees' taxes from their wages at the
31 time such wages are paid, and shall show such deduction on his
32 payroll record, shall furnish each employee with a statement in
33 writing showing the amount which has been deducted in such
34 form and at such times as the commission may prescribe, and
35 shall transmit all such taxes to the fund, in addition to his own
36 taxes, pursuant to rules or regulations promulgated as pre-
37 scribed in this act.

38 SEC. 144. Taxes by employees, payable to the commis-
39 sion as herein provided, shall be exempt from garnishment,
40 attachment, execution or any other remedy for the collections of
41 debts, and in the event of the insolvency or bankruptcy of the
42 employer such tax moneys shall not be considered any part of
43 the assets of the employer and shall be paid to the commission
44 prior to the payment of any other claim against such employer.

45 SEC. 145. Each employer shall be liable for any and all
46 taxes required to be paid by his employees on account of wages
47 paid to them by such employer regardless of whether or not such
48 employer shall have made a deduction on account thereof from
49 the employees' wages at the time such wages were paid; except
50 that an employer shall not be liable for taxes with respect to
51 wages paid while there is in effect at the time such wages were
52 paid, a rule or regulation or interpretation of the commission.

1 that such wages were not subject to taxes imposed by this act.
2 As used in this act, except where the context clearly requires
3 otherwise, the term "taxes" shall include the taxes of employees
4 pursuant to this section.

5 SEC. 146. Any rule, regulation, or interpretation issued
6 in accordance with the provisions of this act may prescribe the
7 extent, if any, to which it shall be applied without retroactive
8 effect in cases where, in the absence of such a provision, it would
9 have such retroactive effect.

10 SEC. 147. Any amounts determined by the commission
11 or its authorized representatives to be payable to employing
12 units or employees as refunds of contributions erroneously paid
13 which are unclaimed at the end of three (3) years from such
14 determination, shall be included in the revenue to the Health
15 Service Fund. The employing unit or person entitled to such
16 payment shall not thereafter maintain any claim, action, or
17 proceeding with respect to such amount. Whenever any war-
18 rant is drawn on an account in the Health Service Fund by
19 the State Controller or the authority, and the same remains
20 unclaimed after three (3) years, the amount thereof shall
21 revert to the Health Service Fund from which the amount
22 was payable.

23
24 Article 9. Exempt Employers and Employees,
25 Self-employed Persons, and Others
26

27 SEC. 160. The authority may, by contractual engage-
28 ments or other undertakings, make the health service enumer-
29 ated in this act available to any resident of this State who is
30 neither an employee nor the dependent of an employee within
31 the meaning of this act, subject, however, to conditions pre-
32 scribed by rule or regulation of the authority.

33 SEC. 161. The authority may furnish health services to
34 unemployed persons, recipients of public assistance and the
35 dependents of such individuals not otherwise eligible to such
36 services, by contractual agreement with the Director of the
37 Department of Social Welfare or with any county or city and
38 county of this State.

39 SEC. 162. (a) A person hiring services of individuals
40 in this State, but not subject to this act, which files with the
41 commission its written election to become an employer subject
42 hereto for not less than two calendar years, shall, with the writ-
43 ten approval of such election by the commission, become an
44 employer subject hereto to the same extent as all other employ-
45 ers, as of the date stated in such approval, and shall cease to be
46 subject hereto as of January 1st of any calendar year subsequent
47 to such two calendar years, notwithstanding anything elsewhere
48 contained in this act, only if at least 30 days prior to such first
49 day of January, it has filed with the commission a written notice
50 to that effect.

51 (b) Any person for which services that do not constitute
52 employment as defined in this act are performed, may file with

1 the commission a written election that all such services per-
2 formed by individuals in its employ in one or more distinct
3 establishments or places of business shall be deemed to constitute
4 employment by an employer for all the purposes of this act for
5 not less than two calendar years. Upon the written approval
6 of such election by the commission, such services shall be deemed
7 to constitute employment subject to this act from and after the
8 date stated in such approval. Such services shall cease to be
9 deemed employment subject hereto as of January 1st of any
10 calendar year subsequent to such two calendar years, notwith-
11 standing anything elsewhere contained in this act, only if at
12 least 30 days prior to such first day of January such employing
13 unit has filed with the commission a written notice to that effect.

14 (c) Services not included within the term employment and
15 performed entirely without this State, with respect to no part
16 of which contributions are required and paid under an unem-
17 ployment compensation law of any other State or of the Federal
18 Government, shall be deemed to be employment subject to this
19 act if the individual performing such services is a resident of
20 this State and the commission approves the election of the
21 employing unit for whom such services are performed that the
22 entire service of such individual shall be deemed to be employ-
23 ment subject to this act. Such election shall be for the period,
24 made in the manner, and subject to termination as provided in
25 this section for other elections of coverage.

26 (d) Every employing unit which files an election to
27 become an employer subject to this act or to cease to be an
28 employer subject to this act, pursuant to the provisions of this
29 section shall post and maintain printed notices of such election
30 on his premises, of such design, in such numbers, and at such
31 places as the commission may determine to be necessary to give
32 notice thereof to persons in his service. Individuals in the
33 employ of any employing unit which files an election to become
34 an employer subject to this act shall be given a reasonable oppor-
35 tunity to file objections thereto or be heard thereon prior to the
36 commission's approval of such election.

37 (e) In no case shall the commission approve any such
38 election under subdivisions (a) and (b) of this section unless
39 and until it has been established to the satisfaction of the com-
40 mission that such employing unit is normally and continuously
41 engaged in a regular trade, business or occupation.

42 Article 10. Exemptions

43
44 SEC. 170. Anything in this act contained to the contrary
45 notwithstanding, any individual who adheres to the faith or
46 teaching of any well-recognized religious sect, denomination, or
47 organization, and in accordance with its creed, tenets, or prin-
48 ciples, depends for healing upon prayer and the practice of reli-
49 gion, who is employed by any employer, shall be exempted from
50 the taxes required by this act upon filing with the commission
51

1 a statement, in duplicate, stating such adherence and depend-
2 ence and disclaiming any benefit for himself and his dependents
3 under this act, and his employer shall also be exempt from pay-
4 ment of taxes with respect to wages paid to that employee. Any
5 such employee so exempted and his dependents shall not be
6 furnished any service provided by this act while such exemption
7 is in force; and the effect of a withdrawal of such affidavit by
8 such exempt employee shall operate to make him and his
9 employer subject from the date of such withdrawal to the provi-
10 sions of this act only to the extent to which an employee upon
11 first entering employment subject to this act, is entitled to such
12 services and subject to the same conditions.

13
14 Article 11. Miscellaneous
15

16 SEC. 190. In the event this act does not become effective
17 upon the ninety-first day from and after the adjournment of
18 the Fifty-sixth Session of the Legislature of the State of Cali-
19 fornia, by reason of the filing of a referendum petition under
20 the provisions of Section 1 of Article IV of the Constitution,
21 then the date specified in Sections 136 and 142, from and after
22 which taxes shall be payable by employers and employees upon
23 wages, the date specified in Section 70 upon which the rendition
24 of health service under this act shall commence, and the respec-
25 tive dates of expiration of the terms specified in Section 91
26 of this act shall each be postponed one year from and after
27 such specified date respectively.

28 SEC. 191. In the event the United States is in a state of war
29 on April 1, 1946, and, by reason of wartime conditions, he
30 believes that it is or will be impracticable to commence the
31 operation of the provisions of this act at the times specified in
32 Sections 70, 136 and 142 of this act, the Governor may, by
33 proclamation, postpone the operations of this act so that the
34 operations specified in each section shall commence one year
35 later than specified in those sections. Such power of post-
36 ponement shall continue in the Governor until and includ-
37 ing the first day of April of each year next following the exer-
38 cise of such power so long as the United States is in a state of
39 war on such first day of April.

40 SEC. 192. The faith and credit of the State of California are
41 hereby pledged to assure the operation of the Health Service
42 System hereby created until the close of the thirtieth day of
43 June, 1949. It is the intention and purpose of the Legislature
44 and Governor of this State that, in the event the funds herein
45 provided are insufficient to accomplish this operation, such addi-
46 tional funds shall be provided as may be necessary, to the end
47 that the health and safety of the people of the State be properly
48 and adequately safeguarded.

49 SEC. 193. It is a misdemeanor:

50 (a) Wilfully to make a false statement or representation or
51 knowingly fail to disclose a material fact to obtain any health
52 service under the provisions of this act, whether for the maker

1 or for any other person or for the purpose of lowering or
2 avoiding any tax required of the maker or any other person or
3 to avoid becoming or remaining subject to this act;

4 (b) On the part of any employer or any officer or agent of
5 an employee to make a greater deduction from the wages of an
6 employee other than the tax required of such employee by this
7 act, or as expressly otherwise permitted by law;

8 (c) On the part of any employer or any officer or agent of
9 an employer, wilfully and unlawfully to fail or neglect to make
10 available required records for the inspection of the commis-
11 sion, the authority, or its authorized representatives at any
12 reasonable time during business hours;

13 (d) On the part of any employer, or any officer or agent of
14 an employer, wilfully and unlawfully to fail or neglect to fur-
15 nish to the commission reports required by it when necessary
16 for the enforcement of this act;

17 (e) On the part of any employer, or any officer or agent of
18 an employer or any individual to connive or conspire to aid
19 such individual to obtain benefits under this act to which such
20 individual is not entitled by the wilful withholding of informa-
21 tion or by the wilful failure to report any revelant infor-
22 mation;

23 (f) For any person to wilfully violate any provision of this
24 act or any rule or regulation promulgated or published by the
25 commission in accordance with this act.

26 (g) On the part of any officer, employee, or any other indi-
27 vidual to disclose or make public any information obtained in
28 the course of administration of this act other than as required
29 to properly discharge his duties or to fulfill the purposes
30 expressed in this act.

ASSEMBLY BILL

No. 2201

INTRODUCED BY MESSRS. WOLLENBERG AND THOMAS (By
Request of MESSRS. ANDERSON, BERRY, BRADY, BURNS,
COLLINS, GEORGE D., CRICHTON, DEKKER, DUNN,
FLETCHER, GAFFNEY, HAWKINS, LYONS, MALONEY,
MASSION, McMILLAN, AND ROSENTHAL)

May 15, 1945

REFERRED TO COMMITTEE ON PUBLIC HEALTH

*An act to create and provide for prepaid hospital service for
the people of the State of California.*

The people of the State of California do enact as follows:

1 Article 1. Purpose and General Provisions
2

3 SECTION 1. It is the purpose of this act to provide prepaid
4 hospital service for the people of the State of California to the
5 end that the general health of the people may be improved and
6 the misfortune and financial strain arising from the onslaught
7 of illness or injury be lessened, by providing a fund from which
8 hospital costs may be met.

9 Although modern medical science has made gratifying and
10 outstanding progress in providing facilities for greatly improv-
11 ing the general level of health in the community, economic con-
12 ditions have tended to make hospital facilities less available to
13 many citizens by reason of the necessarily increased costs. It is
14 the purpose of this act to make such facilities available to as
15 many citizens of the State as possible, and at the same time to
16 insure to those furnishing such service and facilities an ade-
17 quate and sure compensation.

18 It is the further purpose of this act to encourage the profes-
19 sions and organizations concerned with the furnishing of hos-
20 pital care and services incident thereto, to increase their facili-

1 ties and to offer higher standards of performance to supply ade-
2 quately the requirements of the people of the State for such
3 service.

4 The Legislature of the State of California therefore declares
5 that this act is essential to the health, safety and welfare of the
6 people of this State.

7 SEC. 2. This act may be cited as the California Prepaid Hos-
8 pital Service Act.

9 SEC. 3. In the administration of this act, the terms and pro-
10 visions thereof shall be given a broad and liberal construction
11 to the end that as many persons as possible shall participate in
12 the benefits thereof and the social objectives sought shall be
13 attained.

14 SEC. 4. If any provision of this act, or the application
15 thereof to any person or circumstance, is held invalid, the
16 remainder of the act, or the application of such provision to
17 other persons or circumstances, shall not be affected thereby.

18 SEC. 5. Article headings shall not restrict or limit or in any
19 manner affect the meaning of any section of this act.

20 SEC. 6. All references herein to the Unemployment Insur-
21 ance Act shall be deemed to refer to said act as now or hereafter
22 amended.

23 SEC. 7. The amount of contributions payable by a public
24 agency under this act shall automatically increase all statutory
25 debt and liability limits otherwise applicable to any such units
26 by the amount so payable.

27 SEC. 8. Nothing herein shall be construed to grant any
28 employer or his employees prior claims or rights to the amounts
29 contributed by him or them to the fund, either on his own
30 account, or on behalf of his employees. The amount of employer
31 contributions, together with employee contributions, shall be
32 pooled and available for the furnishing of service to any person
33 entitled thereto under the provisions of this act regardless of
34 the source of such contribution.

35 SEC. 9. In the event the United States is in a state of war,
36 and, by reason of wartime conditions, he believes that it is or
37 will be impracticable to commence the operation of the provi-
38 sions of this act at the times specified herein, the Governor may,
39 by proclamation, postpone the operations of this act so that the
40 operations specified in each section shall commence six months
41 later than specified in those sections. Such power of postpone-
42 ment shall continue in the Governor and may be exercised by
43 him from time to time so long as the United States is in a state
44 of war.

45 Article 2. Definitions

46
47 SEC. 20. The definitions in this article shall, unless the con-
48 text otherwise requires, govern the meaning of the terms used
49 in this act.

50 SEC. 21. "Authority" means the California Hospital Serv-
51 ice Authority created by this act.
52

1 SEC. 22. "Director" means the Executive Director of the
2 authority.

3 SEC. 23. "Commission" means the California Employment
4 Stabilization Commission.

5 SEC. 24. "United States" means the Government of the
6 United States and each department, authority, subdivision,
7 agency, and instrumentality thereof, corporate or otherwise.

8 SEC. 25. "Public Agency" means this State, any county,
9 city and county, city, municipality, district or other political
10 subdivision thereof, whether chartered or unchartered.

11 SEC. 26. "Person" includes association, organization, part-
12 nership, business trust, and corporation.

13 SEC. 27. "Fund" means the Hospital Service Fund in the
14 State treasury.

15 SEC. 28. "Beneficiary" means any person who is eligible
16 for services under this act and his dependents.

17 SEC. 29. "Dependent" means any bona fide member of the
18 household of an individual who is eligible for services under
19 this act and who in fact is dependent on such individual.

20 SEC. 30. "Physician and Surgeon" means an individual
21 holding a physician and surgeon's certificate under Chapter 5
22 of Division 2 of the Business and Professions Code.

23 SEC. 31. "Hospital" means an institution providing neces-
24 sary and customary in-patient care of the sick and which hos-
25 pital is approved by the Department of Public Health.

26 SEC. 32. "Service" means the service or services set forth
27 in Article 3 of this act.

28 SEC. 33. "Employing unit" has the same meaning set forth
29 in the Unemployment Insurance Act and includes all public
30 agencies.

31 SEC. 34. "Employment" means the following:

32 (a) "Employment" as defined in Article 2 of the Unem-
33 ployment Insurance Act;

34 (b) Service performed in the employ of the United States
35 when appropriate Federal legislation has been passed which
36 shall permit the State to require any instrumentality of the
37 United States to make payments into a hospital service fund
38 under a State act, and to comply with State regulations there-
39 under;

40 (c) Service performed in the employ of all public agencies.

41 SEC. 35. "Employer" means the following:

42 (a) "Employer" as defined in the Unemployment Insur-
43 ance Act.

44 (b) The United States when and to the extent that it is the
45 user of services performed for it in employment subject to
46 this act.

47 (c) A public agency for which services in employment sub-
48 ject to this act are performed.

49 SEC. 36. "Employee" means an individual performing
50 services in employment for an employer subject to this act and
51 includes public officials whether elected or appointed.

1 SEC. 37. "Wages" has the meaning set forth in the Unem-
2 ployment Insurance Act except with respect to the provisions
3 of subdivision (c) (1) of Section 11 of that act, which shall,
4 for the purposes of this act, be deemed to exclude only that part
5 of remuneration which after remuneration equal to five thou-
6 sand dollars (\$5,000) has been paid to a worker by an employer
7 with respect to employment during any calendar year, is paid
8 to such worker by such employer with respect to employment
9 during such calendar year.

10 SEC. 38. "Contribution" means the money payments to the
11 fund required by this act.

12 SEC. 39. "Rules" includes regulations.

13

14

Article 3. Services

15

16 SEC. 50. An employee shall become eligible for services
17 under this act for the four calendar quarters beginning with
18 the first day of the third calendar quarter following the com-
19 pletion of that calendar quarter in which such individual's
20 wages in employment first total the amount of three hundred
21 dollars (\$300) within a period of not more than 12 consecutive
22 calendar months.

23 SEC. 51. Whenever a dispute arises as to whether a person
24 is a beneficiary, he shall be entitled to services unless or until
25 it shall be finally determined through the appropriate appeals
26 procedure that he was not a beneficiary. If it is finally deter-
27 mined that he was not a beneficiary, he shall become liable to
28 the authority for the amount expended from the fund in his
29 behalf.

30 SEC. 52. On and after October 1, 1946, each beneficiary
31 shall be entitled to services as provided in this article for a
32 period not to exceed a total of 30 days for each particular dis-
33 ability arising from a separate and distinct cause, except as
34 such period may be extended by the authority as provided
35 herein.

36 SEC. 53. Each beneficiary shall be entitled to hospitaliza-
37 tion only while under the care of an attending physician and
38 surgeon and while necessarily confined to a hospital as a regis-
39 tered bed patient.

40 SEC. 54. Hospitalization shall consist of the following serv-
41 ices when prescribed by the attending physician or surgeon as
42 necessary or required by the nature of the case:

43 (a) Bed and board in a ward or semiprivate room, services
44 of a dietician, general nursing care, use of operating room,
45 including surgical and anesthetic supplies, use of cystoscopic
46 rooms.

47 (b) Such drugs, biologics, bandages, dressings, oxygen,
48 blood and plasma as may be required during the period of
49 hospitalization.

50 (c) Care during and after childbirth or miscarriage.

51 (d) The care of new born infants during such period as the
52 mother remains in a hospital.

(e) Laboratory services, including chemical, bacteriological, biological, diagnostic and therapeutic X-ray, and such other laboratory or related services as are ordinarily provided by a hospital.

SEC. 55. The authority may provide when and the extent to which the following services shall be available:

(a) Emergency hospital services other than while confined to a hospital as a registered bed patient.

(b) Special nursing services.

(c) Physiotherapy.

(d) Material appliances.

(e) Ambulance service.

(f) Hospitalization for diagnostic purposes only, and where bed care is not required by the nature of the case.

(g) Any other services which ordinarily are, or may in the future be, provided by hospitals.

SEC. 56. Services may be furnished for tuberculosis and mental infirmities or disorders only up to time of diagnosis of such conditions unless and except as this period may be extended by the authority.

SEC. 57. When in the opinion of the authority the financial resources of the fund permits, the authority may extend the period for which services may be furnished for each particular disability arising from a separate and distinct cause.

Such extension need not be uniform, but may be made in terms of types or categories of cases.

SEC. 58. Nothing in this act shall restrict a beneficiary's right to utilize more expensive hospital accommodations on the basis of mutually satisfactory arrangements between the beneficiary and the institution for payment of the difference in rates.

SEC. 59. Services shall not be furnished under this act for an injury which is compensable under any workmen's compensation law or employer's liability law except as provided in Article 4.

SEC. 60. Each beneficiary shall be entitled to reimbursement for the costs of services as set forth in this article when such costs have been incurred by reason of emergency illness or injury occurring to the beneficiary while outside of the State of California, providing that the necessity for such service is recognized by the authority and provided that such reimbursement shall not exceed the amount which would have been paid by the authority had the service been rendered in California.

Article 4. Subrogation

SEC. 70. If any service is furnished under this act to any individual having a right or claim for compensation or damages in whole or in part for or on account of any disability, injury, or illness against any other person, or having a right or claim for compensation under a workmen's compensation or employer's liability law of this State, or any other State or the Federal

1 Government, the fund shall, to the extent of the cost of the ser-
2 vices, be entitled to reimbursement out of any sum or damages
3 which the recipient of such services receives or is entitled to
4 receive by way of compensation or through suit, settlement or
5 judgment. The authority, on behalf of the fund, shall to that
6 extent be subrogated to the rights or claims of the recipient of
7 the services against such other person in cases in which the
8 injurious act of such third person causes a disabling condition
9 entitling the recipient to services under this act and in cases
10 in which the workmen's compensation law or employer's
11 liability law of this State, or of any other State or the Federal
12 Government, grants compensation.

13 SEC. 71. Upon notice being given as provided herein to the
14 person against whom the right or claim exists or is asserted, the
15 authority has a lien upon the right or claim, and upon the sum
16 or damages paid or received thereunder, to the extent of the
17 amount for which the fund is entitled to reimbursement.

18 SEC. 72. If any individual claiming or receiving services has
19 a right or claim described in Section 70, but unreasonably
20 refuses or neglects to take the necessary action to enforce his
21 right or claim within such time as the authority by regulation
22 prescribes, the authority may, at its own expense, take such
23 action or proceedings in the name and in behalf of the indi-
24 vidual as it deems necessary to enforce his right or claim. Any
25 sum recovered by the authority in such an action or proceed-
26 ing, through a settlement, judgment, or otherwise, in excess of
27 the amount to which the fund is entitled by way of reimburse-
28 ment plus the reasonable expenses of the authority in connec-
29 tion with such action or proceeding, shall be held by the author-
30 ity as trustee for the individual in whose behalf the action was
31 undertaken. In the event that the authority undertakes an
32 action or proceeding and fails therein, the costs and expenses
33 thereof shall be payable out of the fund.

34 SEC. 73. The authority may furnish services under this act
35 to any individual having or claiming to have rights to compen-
36 sation or damages pending the settlement or determination of
37 his right or claim. The furnishing of services to such an indi-
38 vidual shall be without prejudice to any method of recovery
39 provided in this act. If the authority furnishes or intends to
40 furnish services under this act, it may give written notice to
41 the person against whom the recipient of such services has or
42 claims a right to compensation or damages. After the receipt of
43 such notice and of a certified statement of the amount of the
44 advances actually made, such person shall pay to the authority
45 to the extent of the amount for which he is liable, less any sums
46 which he may have actually paid to the authority or to the com-
47 mission prior to the receipt of such notice, the costs of the ser-
48 vices paid by the authority. The receipt by the authority of
49 any of such payments, to the extent thereof, constitutes a full
50 and valid discharge of the claims of the recipient against such
51 third person.

Article 5. Contributions

SEC. 85. Every employer shall pay a contribution equal to one-half of 1 per cent ($\frac{1}{2}\%$) of all wages paid with respect to employment after January 1, 1946.

SEC. 86. Each employee shall also pay contributions equal to one-half of 1 per cent ($\frac{1}{2}\%$) of his wages with respect to employment after January 1, 1946.

SEC. 87. An employing unit may voluntarily elect to cover its employees under the provisions of this act, in the same manner and to the same extent and with the same effects as is provided therefor in the Unemployment Insurance Act.

SEC. 88. Anything in this act contained to the contrary notwithstanding, any individual who (1) adheres to the faith or teaching of any well-recognized religious sect, denomination, or organization, and in accordance with its creed, tenets, or principles, depends for healing upon prayer in the practice of religion, or (2) is a veteran separated from any of the armed services of the United States under conditions other than dishonorable, shall be exempt from the contributions required by this act upon filing with the commission a statement, in duplicate, stating such adherence and dependence or furnishing evidence of military service, and disclaiming any benefit for himself and his dependents under this act, and his employer shall also be exempt from payment of the taxes with respect to that employee. Any such employee so exempt and his dependents shall not be furnished any service provided by this act while such exemption is in force; and the effect of a withdrawal of such statement by such exempt employee shall operate to make him and his employer subject from the date of such withdrawal to the provisions of this act only to the extent to which an employee upon first entering employment subject to this act, is entitled to such services and subject to the same conditions.

SEC. 89. Every employer shall, notwithstanding any provisions of law in this State to the contrary, withhold in trust the amount of his employees' contributions from their wages at the time such wages are paid, shall show such deduction on his pay roll records, shall furnish each employee with a statement in writing showing the amount which has been deducted in such form and at such times as the commission may prescribe and shall transmit all such contributions to the fund in addition to his own contributions, pursuant to the regulations of the commission.

SEC. 90. Contributions by employees shall be exempt from garnishment, attachment, execution, or any other remedy for the collection of debts, and in the event of the insolvency or bankruptcy of an employer, such contribution shall not be considered any part of the assets of the employer and shall be paid prior to the payment of any other claim.

SEC. 91. Each employer shall be liable for any and all contributions required to be made by his employees on account of wages paid to them by such employer regardless of whether or

1 not such employer shall have made a deduction on account
2 thereof from the employees' wages at the time such wages were
3 paid; provided, however, that no employer shall be liable for
4 contributions required on the wages of any of his employees
5 with respect to wages paid, while there is in effect at the time
6 such wages were paid a rule or interpretation of the commis-
7 sion that such wages were not subject to contributions imposed
8 by this article.

9 SEC. 92. If an employer fails to make any payment required
10 of him, or fails to pay to the commission the contributions of
11 his employees, in accordance with the provisions of this act
12 and of the rules adopted by the commission, he shall become
13 additionally liable for interest on such payments at the rate of
14 one-half of 1 per cent ($\frac{1}{2}\%$) per month or fraction thereof from
15 and after the date of delinquency until paid. Such employer
16 and employee contributions, interest and the penalties herein-
17 after provided for shall be collectible by civil action by the
18 commission in the name of the State of California against the
19 defaulting employer, in addition to any other procedures pre-
20 scribed by this act.

21 SEC. 93. The levy, assessment, re-assessment, collection and
22 refund of all contributions payable to the fund pursuant to
23 this article shall be the function and duty of the commission,
24 and a determination by the commission with respect to any
25 controversy arising in connection therewith shall be final, sub-
26 ject only to such judicial review as is provided by law. The
27 commission has power to adopt rules, not inconsistent with this
28 act, in the furtherance of its functions and duties as herein
29 provided.

30 SEC. 94. Subdivision (b) of Section 44.2 and Sections 44.6
31 to 46.2 of the Unemployment Insurance Act shall be applicable
32 in all respects to the levy, assessment, re-assessment, collection,
33 and refund of all contributions by the commission under this
34 act, except that the following words in those sections of the
35 Unemployment Insurance Act have the following meanings:
36 respectively with respect to contributions under this act:

37 (a) "Employment," "employer," and "wages" mean
38 respectively that which they are defined as in this act.

39 (b) "Worker" means employee.

40 (c) "Three thousand dollars (\$3,000)" means five thousand
41 dollars (\$5,000).

42 (d) "Section 44" means Section 86 of this act.

43 (e) "Unemployment Contributions Judgments" means
44 "Hospital Contributions Judgments."

45 (f) "Unemployment Fund," "fund," and "clearing
46 account" means the Hospital Service Fund.

47 SEC. 95. Any amounts determined by the commission or its
48 authorized representatives to be payable to employing units
49 or employees as refunds of contributions erroneously paid
50 which are unclaimed at the end of three (3) years from such
51 determination, shall be included in the revenue to the Hospital
52 Service Fund. The employing unit or person entitled to such

1 payment shall not thereafter maintain any claim, action, or pro-
2 ceeding with respect to such amount. Whenever any warrant
3 is drawn on an account in the Hospital Service Fund by the
4 State Controller or the authority, and the same remains
5 unclaimed after three (3) years, the amount thereof shall
6 revert to the Hospital Service Fund.

7 SEC. 96. Any rule, regulation, or interpretation issued by
8 the commission in accordance with the provisions of this act
9 may prescribe the extent, if any, to which it shall be applied
10 without retroactive effect in cases where, in the absence of such
11 a provision, it would have such retroactive effect.

12 Article 6. Voluntary Coverage

13
14
15 SEC. 110. The authority shall, by contractual engagements
16 or other undertakings, make the service set forth in this act
17 available to any resident of this State who is neither an employee
18 nor the dependent of an employee within the meaning of this
19 act, subject, however, to conditions prescribed by rule or regu-
20 lation of the authority; provided, however, that such partici-
21 pation shall be by virtue of membership in a bona fide organized
22 group, organized for purposes other than securing hospitaliza-
23 tion, and provided further, that the amounts to be charged such
24 groups shall be fixed by the authority in accordance with the
25 terms of contributions by comparable groups otherwise sub-
26 ject to this act.

27 SEC. 111. Any person who has become eligible for services
28 under this act, but who by virtue of change in occupational or
29 dependency status would lose eligibility, may continue as a
30 beneficiary by paying into the Hospital Service Fund within
31 such period after the cessation of his eligibility, and at such
32 intervals thereafter, as may be required by the authority, such
33 contributions as the authority may determine to be equitable.

34 SEC. 112. The authority may by contractual agreement with
35 the United States or the appropriate public agency provide for
36 furnishing the services herein set forth to recipients of public
37 assistance and their dependents who are not otherwise eligible
38 for such services.

39 SEC. 113. An individual, who has established eligibility
40 for service in accordance with Section 112 of this act shall
41 remain eligible therefor for a period of nine calendar months
42 after cessation of such assistance.

43 Article 7. California Hospital Service Authority

44
45 SEC. 125. There is hereby created the California Hospital
46 Service Authority. The California Hospital Service Authority
47 consists of eight members.

48 SEC. 126. The Director of Public Health shall be an
49 ex officio, nonvoting member of the authority. The Governor
50 shall appoint the other seven members of the authority and
51 shall designate the chairman.
52

1 SEC. 127. The term of office of the appointed members of
2 the authority shall be four years and until their successors are
3 appointed and qualified. Vacancies occurring during a term
4 shall be filled by appointment for the unexpired term.

5 SEC. 128. The full membership of the authority shall con-
6 sist of the following:

7 (a) Two members experienced in hospital administration;
8 one of whom shall be a physician and surgeon;

9 (b) Two members who shall be representative of employers;

10 (c) Two members who shall be representative of organized
11 labor;

12 (d) One member who shall be representative of agriculture;

13 (e) The Director of Public Health.

14 SEC. 129. The Governor shall make the first appointments
15 for terms expiring, respectively, as follows:

16 (a) One representative of agriculture for a term expiring on
17 the fifteenth day of January, 1947.

18 (b) One representative of employers, one representative of
19 organized labor, and one member experienced in hospital admin-
20 istration for terms expiring on the fifteenth day of January in
21 the year 1948.

22 (c) One representative of employers, one representative of
23 organized labor, and one member experienced in hospital admin-
24 istration for terms expiring on the fifteenth day of January in
25 the year 1949.

26 SEC. 130. The appointive members of the authority shall
27 each receive as compensation the sum of twenty-five dollars
28 (\$25) per day for each day or fraction thereof while in attend-
29 ance at meetings of the authority and in addition shall receive
30 their actual and necessary expenses incurred in the discharge
31 of their duties.

32 SEC. 131. The members of the authority shall meet regu-
33 larly once a month and at such other times as the chairman or
34 a majority of the members thereof determine to be necessary.

35 SEC. 132. The number of members required to constitute a
36 quorum of the authority and to concur on all questions except
37 a motion to adjourn or a motion to adjourn to a stated time is
38 four.

39 SEC. 133. Except as to matters over which power is given
40 to the commission, the authority has the power generally to per-
41 form all acts necessary to carry out the provisions of this act
42 regardless of whether or not the particular power is specifically
43 designated in this act.

44 SEC. 134. The authority shall have the power:

45 (a) To adopt, promulgate, repeal and amend rules and regu-
46 lations consistent with law necessary or advisable to carry out
47 the provisions of this act.

48 (b) To prescribe by rule standards of service and prescribe
49 rates, fees or charges to be claimed and paid for all services
50 furnished under this act. In prescribing such rates, fees or

1 charges, the authority shall have regard for the necessity of
2 furnishing proper and adequate service. Such rates, fees or
3 charges need not be uniform throughout the State.

4 (c) To adopt a procedure for the establishment of and pay-
5 ment of claims for services furnished.

6 (d) To adopt a procedure for the review and settlement of
7 disputed claims upon demand by the claimant of any claim
8 denied in whole or in part. The authority may provide for a
9 rehearing and for action upon such rehearing.

10 (e) To adopt a procedure for the hearing and determination
11 of appeals from determinations made by the authority.

12 (f) At any time, to investigate any hospital to determine
13 its compliance with this act and the rules adopted under this
14 act.

15 SEC. 135. The authority shall also have the power:

16 (a) To adopt a seal.

17 (b) To sue and be sued.

18 (c) To enter into any contracts or obligations relating to
19 services under this act which are authorized or permitted by
20 law.

21 (d) To appoint, subject to the State Civil Service Act, such
22 assistants and other employees as are necessary for the adminis-
23 tration of the affairs of the authority, to prescribe their duties,
24 fix salaries, and require them to execute to the State such offi-
25 cial bonds as may be required.

26 (e) To provide and operate such district offices as are deemed
27 necessary.

28 (f) To establish and maintain a statistical plan for the mak-
29 ing and maintaining of records showing the experience of the
30 authority in the furnishing of service provided by this act.

31 SEC. 136. (a) The authority shall carry on continual
32 studies of, and shall periodically report to the Governor on the
33 degree to which the operation of this act alleviates undue finan-
34 cial strain on the people of California, arising from the
35 onslaught of illness or injury.

36 (b) The authority shall also carry on studies and report to
37 the Governor with respect to the adequate distribution of the
38 facilities necessary to the proper rendition of the services pro-
39 vided in this act.

40 SEC. 137. In carrying out the duties imposed upon it by
41 this act, the authority is authorized and shall have the power
42 to negotiate agreements with appropriate agencies of the United
43 States and with public agencies and with any person or persons
44 to make use of their services and facilities and to pay fair and
45 reasonable compensation therefor. Every public agency shall
46 have the power to contract with the authority for such purpose.

47 SEC. 138. The authority is authorized to receive for the
48 account of the Hospital Service Fund reimbursements for serv-
49 ices rendered with respect to individuals in circumstances under
50 which services are not authorized under this act, and to pur-
51 chase or otherwise make available supplies and commodities nec-
52 essary for the services provided under this act.

1 SEC. 139. No contract, rule, or regulation under this act
2 shall be entered into or prescribed by the authority which in any
3 manner impairs, restricts, or confines the free choice of any per-
4 son of a physician and surgeon, or hospital.

5 SEC. 140. All proceedings of the authority and the commis-
6 sion shall be open to the public unless a closed hearing is
7 requested by a party to the proceedings. The hospital records,
8 and all other information furnished to the authority or the com-
9 mission by an employing unit, an applicant for hospital services,
10 or a hospital, pursuant to this act except to the extent necessary
11 for the proper administration of this act, shall be confidential
12 and shall not be published or be open to public inspection in any
13 manner revealing the identity of the parties, nor admissible in
14 evidence in any action or special proceeding, other than one
15 arising out of the provisions of this act.

16 SEC. 141. Information obtained in the course of administra-
17 tion of this act shall not be published or open to public inspec-
18 tion in any manner which will reveal the identity of any bene-
19 ficiary, employer or hospital except as may be necessary to
20 acquaint a beneficiary or his duly authorized agent with his
21 then existing or prospective right to services. Any officer or
22 employee of the authority or the commission who violates this
23 section shall be guilty of a misdemeanor.

24 SEC. 142. The Governor shall appoint, upon nomination by
25 the authority, an Executive Director, who shall act as secretary
26 and executive officer of the authority and shall receive a salary
27 of twelve thousand dollars (\$12,000) per annum. The term of
28 the Executive Director shall be four years and until the qualifi-
29 cation of his successor.

30 SEC. 143. The authority may authorize the Executive Direc-
31 tor to carry out any of its functions under this act and may
32 revoke such authorization in whole or in part.

33 SEC. 144. Appointees of the Governor and persons holding
34 positions designated to be confidential pursuant to paragraph
35 (5) of subdivision (a) of Section 4 of Article XXIV of the
36 Constitution of the State (for the purpose of which paragraph
37 the authority and the director shall be considered separate
38 boards, commissions and officers) shall be exempt from civil
39 service.

40

41 Article 8. Eligibility Findings by Commission

42

43 SEC. 160. The commission shall regularly and promptly fur-
44 nish to the authority a list of employees who qualify for serv-
45 ices by contributions paid under Article 5. Such notification
46 shall be made at the times and in accordance with procedures
47 established by the commission and approved by the authority.

48 SEC. 161. The omission of the name of any employee from
49 any list shall not be evidence that such employee is not eligible
50 for services.

51 SEC. 162. The authority may refer to the commission any
52 questions pertaining to the allowance of any services under this

1 act when such allowance may be dependent upon contributions
2 paid pursuant to the provisions of Article 5.

3 SEC. 163. The commission shall determine all questions
4 referred to it. Such determinations shall be made in accord-
5 ance with the procedure for the determination and appeal of
6 claims for benefits under the Unemployment Insurance Act and
7 rules relating thereto.

8 SEC. 164. The determination of the commission in respect
9 to any question referred to it shall be binding upon the
10 authority.

11 SEC. 165. The determination by the commission of any ques-
12 tion referred to it pursuant to this article is not final and may
13 not be reviewed in any court until incorporated in a final deci-
14 sion of the authority.

15

16 Article 9. Hospital Service Fund

17

18 SEC. 175. The Hospital Service Fund is created in the State
19 treasury. The moneys and securities of the fund shall be held
20 in trust by the State Treasurer to make available the services
21 provided by this act.

22 SEC. 176. The fund shall consist of:

23 (a) Such specific appropriations as the Legislature from time
24 to time makes or sets aside for the use of the fund.

25 (b) All income received and paid into the fund in accordance
26 with the provisions of this act.

27 (c) All property and securities acquired by and through the
28 use of moneys belonging to the fund.

29 (d) All interest earned upon moneys belonging to the fund
30 and deposited or invested as provided by law.

31 SEC. 177. The State Treasurer shall be the custodian of all
32 moneys and securities belonging to the fund, except as otherwise
33 provided in this act. He shall be liable on his official bond for
34 the safekeeping thereof.

35 All moneys which belong to the fund and are collected or
36 received under this act shall be delivered to the State Treasurer.

37 All securities belonging to the fund shall be delivered to the
38 Treasurer and held by him until otherwise disposed of as pro-
39 vided in this act.

40 SEC. 178. Upon such delivery, such moneys and securities
41 shall be credited by the State Treasurer to the fund. No moneys
42 received or collected on account of the fund shall be expended
43 or paid out without first passing into the State treasury and
44 being drawn therefrom as provided in this act.

45 SEC. 179. The State Controller shall keep special ledger
46 accounts showing all of the assets in the State treasury pertain-
47 ing to the fund.

48 SEC. 180. The authority with the approval of the Board of
49 Control shall cause all moneys in the fund which are in excess
50 of current requirements to be invested and reinvested, from
51 time to time, in securities authorized by law for the investment
52 of funds of savings banks.

1 SEC. 181. All money in the fund is hereby continuously
2 appropriated without regard to fiscal years for the purposes
3 authorized by this act.

4 SEC. 182. Refunds payable or credits due may be paid from
5 the fund.

6 SEC. 183. All of the expenses of the authority in carrying
7 out the provisions of this act other than payments for services,
8 and all of the expenses of the commission in carrying out the
9 provisions of this act, including the pro rata overhead charges
10 of State government assessed against the fund, shall not exceed
11 an amount equal to 10 per cent of all moneys deposited in the
12 fund during the two years immediately following the deposit
13 of the first contribution in the fund, 8 per cent of all moneys
14 deposited in the fund during the next succeeding two years,
15 and 5 per cent of all moneys deposited in the fund thereafter.
16 Of such amount, the authority may not expend more than 70
17 per cent in carrying out the provisions of this act and the com-
18 mission may not expend more than 30 per cent in carrying out
19 the provisions of this act.

20 SEC. 184. The authority and the commission each may, with
21 the approval of the Department of Finance, withdraw from the
22 fund, without at the time presenting vouchers and itemized
23 statements, a sum determined to be necessary as a cash revolv-
24 ing fund. The Controller shall draw his warrants in favor of
25 the authority and the commission for the amounts so withdrawn,
26 and the Treasurer shall pay such warrants.

27 SEC. 185. Expenditures made from a revolving fund in pay-
28 ments on claims arising out of the providing of services are
29 exempted from the operation of Section 16003 of the Govern-
30 ment Code. Reimbursement of a revolving fund for such
31 expenditures shall be made upon presentation to the Controller
32 of an abstract or statement of such expenditures. Such abstract
33 shall be in such form as the Controller requires.

34 SEC. 186. Whenever moneys are collected, but it is not imme-
35 diately certain what portion thereof constitutes contributions
36 payable under this act and what portion constitutes contribu-
37 tions payable under the Unemployment Insurance Act, the com-
38 mission may, if it desires, pay such moneys into the Special
39 Deposit Fund in the State treasury as provided in Article 2 of
40 Chapter 2 of Part 2 of Division 4 of Title 2 of the Government
41 Code, subject to recovery by the commission and transfer to
42 the proper accounts in the Unemployment Fund and the Hos-
43 pital Service Fund upon ascertainment by the commission of
44 the amounts allocable to each fund, respectively, out of moneys
45 so collected.

46 Article 10. Penalties

47
48 SEC. 195. The willful making by a physician and surgeon
49 of a false statement or representation or the failure to disclose
50 any material fact known to him to obtain any service or benefit
51 provided under this act, for himself or any other person, con-

1 stitutes unprofessional conduct within the meaning of Chapter
2 5 of Division 2 of the Business and Professions Code.

3 SEC. 196. It is a misdemeanor:

4 (a) Wilfully to make a false statement or representation or
5 knowingly fail to disclose a material fact to obtain any service
6 under the provisions of this act, whether for the maker or for
7 any other person or for the purpose of lowering or avoiding any
8 contribution required of the maker or any other person or to
9 avoid becoming or remaining subject to this act;

10 (b) On the part of any employer or any officer or agent of
11 an employee to make a greater deduction from the wages of an
12 employee other than the contribution required of such employee
13 by this act, or as expressly otherwise permitted by law;

14 (c) On the part of any employer or any officer or agent of
15 an employer, wilfully and unlawfully to fail or neglect to make
16 available required records for the inspection of the commission,
17 the authority, or its authorized representatives at any reason-
18 able time during business hours;

19 (d) On the part of any employer, or any officer or agent of
20 an employer, wilfully and unlawfully to fail or neglect to fur-
21 nish to the commission reports required by it when necessary
22 for the enforcement of this act;

23 (e) On the part of any employer, or any officer or agent of
24 an employer or any individual to connive or conspire to aid such
25 individual to obtain benefits under this act to which such indi-
26 vidual is not entitled by the wilful withholding of information
27 or by the wilful failure to report any relevant information;

28 (f) For any person to wilfully violate any provision of this
29 act or any rule or regulation promulgated or published by the
30 authority or the commission in accordance with this act;

31 (g) On the part of any officer, employee, or any other indi-
32 vidual to disclose or make public any information obtained in
33 the course of administration of this act other than as required
34 to properly discharge his duties or to fulfill the purposes
35 expressed in this act.

36 SEC. 197. Any employer, including any individual member
37 of a partnership or employing unit, and any officer of a cor-
38 porate employing unit having knowledge thereof, which with-
39 holds the deductions required by this act from remuneration
40 paid to its employees, and wilfully fails or is financially unable
41 to pay such deductions to the Hospital Service Fund before the
42 date on which the same become delinquent shall be guilty of a
43 misdemeanor.

44 SEC. 198. All fines collected for violations of the provisions
45 of this act shall be paid one-half into the State treasury to the
46 credit of the Hospital Service Fund, and one-half to the Treas-
47 urer of the jurisdiction in which the misdemeanor is prosecuted,
48 to be deposited in the same fund as fines for other misdemeanors
49 occurring in that jurisdiction are deposited.

1 SEC. 199. It is a misdemeanor for any employer to require
2 membership in any system or organization granting any health
3 or hospital service as a condition of employment, and any such
4 condition in any contract of employment is void.

AMENDED IN ASSEMBLY APRIL 24, 1947

CALIFORNIA LEGISLATURE, FIFTY-SEVENTH (GENERAL) SESSION

ASSEMBLY BILL

No. 1500

Introduced by Messrs. Wollenberg and George D. Collins

January 30, 1947

REFERRED TO COMMITTEE ON PUBLIC HEALTH

An act to create and provide for a prepaid health service system for the people of the State of California and making an appropriation therefor.

The people of the State of California do enact as follows:

Article 1. General Provisions

SECTION 1. The purpose of this act is to provide a system of prepaid medical and hospital care through which the people of California will have economic access to medical, laboratory and hospital services, not as charity, but as something that has been individually purchased by them on the insurance principle, without changing the traditional relationship between patient, doctor and hospital.

Under its provisions no system for the dispensing of medical care by the State through doctors employed or designated by the State shall be created, but, on the contrary, it is the express intent of this act that complete freedom of choice by the patient of doctor and hospital, and complete freedom of choice by the doctors and hospitals of their patients, shall be preserved.

It is the further intent of this act to encourage and assist the development of voluntary prepaid health and hospital plans and to eliminate from the provisions of this act persons protected under voluntary plans provided such plans furnish the medical and hospital benefits established herein.

It is the further intention of this act that the system of health insurance herein created shall at all times adhere to the most ethical and professional standards of the medical profession, and that in order to improve medical practice, all doctors participating in the system be encouraged to keep abreast of the

1 most modern techniques for the prevention and cure of disease
2 through periodical refresher courses at recognized medical
3 schools *periodic postgraduate study and refresher courses* at the
4 expense of the system.

5 Whenever the purposes of the act are to be construed, either
6 in the courts or administratively, a construction consistent with
7 these purposes and intentions shall be given.

8 SEC. 2. This act may be cited as the California Prepaid
9 Health Service Act.

10 SEC. 3. In the administration of this act, the terms and
11 provisions thereof shall be given a broad and liberal construc-
12 tion to the end that as many persons as possible shall participate
13 in the benefits thereof and the social objectives sought shall be
14 attained.

15 SEC. 4. If any provision of this act, or the application
16 thereof to any person or circumstance, is held invalid, the
17 remainder of the act, or the application of such provision to
18 other persons or circumstances, shall not be affected thereby.

19 SEC. 5. Article headings shall not restrict or limit or in
20 any manner affect the meaning of any section of this act.

21 SEC. 6. All references herein to the Unemployment Insur-
22 ance Act shall be deemed to refer to said act as now or hereafter
23 amended.

24 Article 2. Definitions

25
26
27 SEC. 20. The definitions in this article shall, unless the
28 context otherwise requires, govern the meaning of the terms
29 used in this act.

30 SEC. 21. "Authority" means the California Health Serv-
31 ice Authority created by this act.

32 SEC. 22. "Director" means the Executive Director of
33 the authority.

34 SEC. 23. "Department" means the Department of
35 Employment.

36 SEC. 24. "United States" means the Government of the
37 United States and each department, authority, subdivision,
38 agency, and instrumentality thereof, corporate or otherwise.

39 SEC. 25. "Public Agency" means this State, any county,
40 city and county, city, municipality, district or other political
41 subdivision thereof, whether chartered or unchartered.

42 SEC. 26. "Person" includes association, organization,
43 partnership, business trust, and corporation.

44 SEC. 27. "Fund" means the Health Service Fund in
45 the State Treasury.

46 SEC. 28. "Beneficiary" means any person who is eligible
47 for services under this act and his dependents.

48 SEC. 29. "Dependent" means a legally dependent spouse
49 and dependent children under the age of 18.

50 SEC. 30. "Physician" means an individual holding a
51 physician and surgeon's certificate under Chapter 5 of Division
52 2 of the Business and Professions Code.

1 SEC. 31. "Hospital" means an institution providing
2 necessary and customary in-patient care of the sick and which
3 hospital is licensed by the Department of Public Health.

4 SEC. 32. "Service" means the service or services set
5 forth in Article 3 of this act.

6 SEC. 33. "Employing unit" has the same meaning set
7 forth in the Unemployment Insurance Act and also includes
8 all public agencies.

9 SEC. 34. "Employment" means the following:

10 (a) "Employment" as defined in the Unemployment
11 Insurance Act;

12 (b) Service performed in the employ of a public agency.

13 SEC. 35. "Employer" means the following:

14 (a) "Employer" is defined in the Unemployment Insur-
15 ance Act.

16 (b) A public agency for which services in employment
17 subject to this act are performed.

18 SEC. 36. "Employee" means an individual performing
19 services in employment for an employer subject to this act
20 and includes public officials whether elected or appointed.

21 SEC. 37. "Wages" has the meaning set forth in the
22 Unemployment Insurance Act.

23 SEC. 38. "Contribution" means the money payments to
24 the fund required by this act.

25 SEC. 39. "Rules" includes regulations.

26 27 Article 3. Services

28
29 SEC. 50. On and after July 1, 1948, each beneficiary
30 shall be entitled to payment of the expenses of medical, hos-
31 pital and laboratory services as provided in this article for a
32 period not to exceed a total of 100 days for each continuous
33 period of disability or hospitalization except as such period
34 may be extended by the authority as provided herein.

35 SEC. 51. Medical services consist of:

36 (a) Services rendered by a physician or surgeon licensed
37 in this State, whenever such services are required by the
38 standards of good medical practice for preventive, diagnostic,
39 therapeutic or other medical treatment or care of a beneficiary
40 necessarily confined in a hospital as a registered bed patient,
41 and such post-hospital medical treatment as may be necessary
42 and allowed under rules of the authority.

43 (b) Services rendered by a dentist licensed in this State
44 when performed in a hospital for the treatment of the diseases
45 and injuries of the jaws and their dependent tissues, but
46 excluding tooth removal, tooth replacement, tooth restoration,
47 orthodontics, and treatment for Periodontoclasia (Pyorrhea).

48 SEC. 52. Hospital services shall consist of the following
49 services when necessary and prescribed by the attending
50 physician or surgeon as required by the nature of the case:

51 (a) Bed and board in a ward or semiprivate room, services
52 of a dietician, general nursing care, use of operating *or delivery*

1 room, including surgical and anesthetic supplies, use of
2 cystoscopic rooms.

3 (b) Such drugs, biologics, bandages, dressings, oxygen,
4 blood and plasma as may be required during the period of
5 hospitalization.

6 (c) The care of new born infants during such period as
7 the mother remains in a hospital.

8 (d) Laboratory services, including chemical, bacterio-
9 logical, physical, diagnostic and therapeutic X-ray, and such
10 other laboratory or related services as are ordinarily provided
11 by a hospital.

12 SEC. 53. Beneficiaries shall be entitled to laboratory
13 services as provided in subdivision (d) of Sec. 52, outside of
14 a hospital in standard laboratories approved by the authority
15 when necessary and prescribed by the physician as required
16 by the nature of the case.

17 SEC. 54. The authority may require —

18 ~~(a) In~~ in cases other than obstetrical or those requiring sur-
19 gery the payment of bed and board charges for a period not to
20 gery:

21 (a) *The payment of bed and board charges for a period not*
22 *to exceed two days.*

23 (b) *The payment of a portion of the costs of laboratory*
24 *services not to exceed \$10 in any period of hospitalization or in*
25 *connection with any single disability. The amount of such pay-*
26 *ment need not be uniform as between laboratory services ren-*
27 *dered in a hospital and those rendered outside of a hospital.*
28 *for services rendered outside of a hospital. The amount need*
29 *not be uniform as to all types or categories of cases.*

30 SEC. 55. The authority may permit:

31 (a) Special nursing services in such special cases and under
32 such conditions as the authority may provide by rule.

33 ~~(b) Consultation and specialist services in such special~~
34 ~~cases and under such conditions as the authority may provide~~
35 ~~by rule.~~

36 ~~(c) Convalescent care in a rest home in such special~~
37 ~~cases and under such conditions as the authority may provide~~
38 ~~by rule.~~

39 ~~(d) (c) Private room where isolation is required in such~~
40 ~~special cases and under such conditions as the authority may~~
41 ~~provide by rule.~~

42 SEC. 56. When in the opinion of the authority the
43 financial resources of the fund permits, the authority may pro-
44 vide after public hearing upon at least 60 days notice, the
45 time when, and the extent to which, the following services
46 shall be available:

47 (a) Emergency hospital services other than while confined
48 in a hospital as a registered bed patient.

49 (b) Extended special nursing services.

50 (c) Physiotherapy.

51 (d) Material appliances.

52 (e) Ambulance service.

(f) An extension of the period for which services may be furnished.

(g) An extension of services to other bona fide members of the household of an individual who is eligible for services under this act and who is in fact dependent on such individual.

(h) Any other services which ordinarily are, or may in the future be, provided by hospitals.

~~An extension under subdivisions (f) and (g) need not be~~

(i) *Services for the care of tuberculosis after diagnosis of such condition. In providing such services the authority may contract with public and private facilities.*

An extension under subdivisions (f), (g), and (i) need not be uniform, but may be made in terms of types or categories of cases.

SEC. 57. Services may be furnished for tuberculosis and mental infirmities or disorders only up to time of diagnosis of such conditions unless and except as this period may be extended by the authority.

SEC. 57.5. An individual qualifying under Section 75 who has received earnings in excess of one thousand five hundred dollars (\$1,500) during the qualifying calendar quarter, and an individual qualifying under Section 75.5 who has received earnings in excess of six thousand dollars (\$6,000) during the qualifying period shall receive in lieu of the medical services provided in this article, reimbursement for such services in accordance with the fee schedule for such medical services adopted by the authority.

SEC. 58. Nothing in this act shall restrict a beneficiary's right to utilize more expensive hospital accommodations on the basis of mutually satisfactory arrangements between the beneficiary and the institution for payment of the difference in rates.

SEC. 59. Services shall not be furnished under this act for an injury which is compensable under any workmen's compensation law, or employer's liability law except as provided in Article 13.

SEC. 60. Each beneficiary *eligible under Section 75* shall be entitled to reimbursement for the costs of services as set forth in this article when such costs have been incurred by reason of emergency illness or injury occurring to the beneficiary while outside of the State of California, providing that the necessity for such service is recognized by the authority and provided that such reimbursement shall not exceed the average amount which would have been paid by the authority had the service been rendered in California.

Article 4. Eligibility

SEC. 75. An employee and each of his dependents shall be eligible for health services under this act during any calendar quarter if during the preceding calendar quarter the employee

1 has been paid wages in employment under this act of not less
2 than \$150.

3 *SEC. 75.5. An individual who does not qualify as eligible*
4 *for health services under Section 75 shall be eligible for health*
5 *services under this act if, during the preceding calendar year,*
6 *he was paid wages of seven hundred fifty dollars (\$750) or more.*

7 *No individual shall be eligible for services under this sec-*
8 *tion unless at the time of each application for services he could*
9 *not qualify as eligible under the provisions of Section 75.*

10 *SEC. 76. Whenever a dispute arises as to whether a person*
11 *is a beneficiary, he shall be entitled to services unless or until it*
12 *shall be finally determined through the appropriate appeals*
13 *procedure that he was not a beneficiary, If it is finally deter-*
14 *mined that he was not a beneficiary he shall become liable to*
15 *the authority for the amount expended from the fund in his*
16 *behalf, and such amounts may be recovered on behalf of the*
17 *fund in the same manner as is provided for the collection of*
18 *contributions under Article 6, of this act.*

19 *SEC. 77. The authority may refer to the department any*
20 *question pertaining to the allowance of any services under this*
21 *act when such allowance may be dependent upon a determina-*
22 *tion of the individuals eligibility.*

23 *SEC. 78. The department shall determine all questions*
24 *referred to it. Such determinations shall be made in accordance*
25 *with the procedure for the determination, redetermination, or*
26 *the appeal of claims for benefits under the Unemployment*
27 *Insurance Act and rules relating thereto.*

28 *SEC. 79. The determination of the department in respect*
29 *to any question of eligibility referred to it shall be binding*
30 *upon the authority.*

31 *SEC. 80. The determination by the department of any*
32 *question referred to it pursuant to this article is not final, and*
33 *may not be reviewed in any court until incorporated in a final*
34 *decision of the authority. Any such determination shall be incor-*
35 *porated in a final decision of the authority within 10 days of the*
36 *date of release thereof by the department.*

37 38 Article 5. Elective Coverage

39
40 *SEC. 100. The authority may, by contractual engagements*
41 *or other undertakings, make the service set forth in this act*
42 *available to any resident of this State who is not otherwise*
43 *eligible, subject to conditions prescribed by rule or regulation*
44 *of the authority. Such regulations shall require payment of a*
45 *premium, or contributions as determined by the authority for*
46 *a period of not less than 60 days before such individual shall*
47 *be eligible for services.*

48 *SEC. 101. Any person who has become eligible for services*
49 *under this act, but who by virtue of change in occupational or*
50 *dependency status would lose eligibility, may continue as a*
51 *beneficiary without interruption, by paying into the Health*
52 *Service Fund within such period and at such intervals as may*

be required by the authority, such premiums or contributions as the authority may determine to be equitable.

SEC. 102. Any employing unit for which services that do not constitute employment as defined in this act are performed, may file with the department a written election that all such services performed by individuals in its employ in one or more distinct establishments or places of business shall be deemed to constitute employment by an employer for all the purposes of this act for not less than ~~two calendar years~~ *one calendar year*. Upon the written approval of such election by the department, such services shall be deemed to constitute employment subject to this act from and after the date stated in such approval. Such services shall cease to be deemed employment subject hereto as of January 1st of any calendar year subsequent to ~~such two calendar years~~ *the year of elective coverage*, notwithstanding anything elsewhere contained in this act, only if on or before the thirty-first day of January of such year, such employing unit has filed with the department a written notice to that effect.

The department may for good cause waive the requirements of this section for termination of an elective coverage agreement.

SEC. 103. Every employing unit which files an election to become an employer subject to this act or to cease to be an employer subject to this act, pursuant to the provisions of this article shall post and maintain printed notices of such election on his premises, as may be prescribed by regulations of the department. Individuals in the employ of any employing unit which files an election to become an employer subject to this act shall be given a reasonable opportunity to file objections thereto or be heard thereon prior to the department's approval of such election.

SEC. 104. In no case shall the department approve any such election under Section 102, unless and until it has been established to the satisfaction of the department that such employing unit is normally and continuously engaged in a regular trade, business or occupation.

Article 6. Contributions

SEC. 125. Every employer shall pay a contribution equal to one percent (1%) of all wages paid with respect to employment after January 1, 1948.

SEC. 126. Each employee shall also pay contributions equal to one percent (1%) of his wages with respect to employment after January 1, 1948.

SEC. 127. The amount of contributions payable by a public agency under this act shall automatically increase all statutory debt and liability limits otherwise applicable to any such units by the amount so payable.

SEC. 128. Employers shall furnish to each of their employees evidence of eligibility for services under this act at

1 such time and in such form as the department or the authority
2 by regulation prescribes.

3 SEC. 129. Anything in this act contained to the contrary
4 notwithstanding, any individual who adheres to the faith or
5 teaching of any well-recognized religious sect, denomination,
6 or organization, and in accordance with its creed, tenets, or
7 principles, depends for healing upon prayer in the practice of
8 religion shall be exempt from the contributions required by
9 this act upon filing with the department a statement, in dupli-
10 cate, stating such adherence and dependence and disclaiming
11 any benefit for himself and his dependents under this act. Any
12 such employee so exempt and his dependents shall not be fur-
13 nished any service provided by this act while such exemption is
14 in force; and the effect of a withdrawal of such statement by
15 such exempt employee shall operate to make him subject from
16 the date of such withdrawal to the provisions of this act only
17 to the extent to which an employee upon first entering employ-
18 ment subject to this act, is entitled to such services and subject
19 to the same conditions.

20 SEC. 130. Every employer shall, notwithstanding any
21 provisions of law in this State to the contrary, withhold in trust
22 the amount of his employees' contributions from their wages
23 at the time such wages are paid, shall show such deduction on
24 his pay roll records, shall furnish each employee with a state-
25 ment in writing showing the amount which has been deducted
26 in such form and at such times as the department may prescribe
27 and shall transmit all such contributions to the fund in addition
28 to his own contributions, pursuant to the regulations of the
29 department.

30 SEC. 131. Subdivisions (b) and (c) of Section 44, subdi-
31 ~~vision (b)~~ *visions (b) and (c)* of Section 44.2 and Sections 45
32 to 46.2, except subdivision (e) of Section 45, of the Unemploy-
33 ment Insurance Act shall be applicable in all respects to the
34 reporting of contributions, interest and penalties attaching
35 thereto, and the levy, assessment, reassessment, collection, and
36 refund of all contributions by the department under this act,
37 except that the following words in those sections of the Unem-
38 ployment Insurance Act have the following meanings respec-
39 tively with respect to contributions under this act:

40 (a) "Employment," and "employer," mean respectively
41 that which they are defined as in this act.

42 (b) "Worker" means employee.

43 (c) "Section 44" means Section 126 of this act.

44 (d) "Unemployment contributions judgments" means
45 health service contributions judgments.

46 (e) "Unemployment fund," "*disability fund*," "fund,"
47 and "clearing account" means the Health Service Fund.

48 SEC. 132. Any rule, regulation, or interpretation issued
49 by the department in accordance with the provisions of this act
50 may prescribe the extent, if any, to which it shall be applied

1 without retroactive effect in cases where, in the absence of such
2 a provision, it would have such retroactive effect.

3 SEC. 133. The amount of employer contributions, together
4 with employee contributions, shall be pooled and available for
5 the furnishing of service to any person entitled thereto under
6 the provisions of this act regardless of the source of such
7 contribution.

8 SEC. 134. The levy, assessment, reassessment, collection
9 and refund of all contributions payable to the fund pursuant
10 to this article or pursuant to Article 5 shall be the function
11 and duty of the department, and a determination by the depart-
12 ment with respect to any controversy arising in connection there-
13 with shall be final, subject only to such judicial review as is
14 provided by law. The department has power to adopt rules, not
15 inconsistent with this act, in the furtherance of its functions
16 and duties as herein provided.

17 Article 7. Health Service Fund

18
19
20 SEC. 150. The Health Service Fund is created in the
21 State Treasury. The moneys and securities of the fund shall be
22 held in trust by the State Treasurer to make available the
23 services provided by this act.

24 SEC. 151. The fund shall consist of:

25 (a) All income received and paid into the fund in accord-
26 ance with the provisions of this act.

27 (b) All property and securities acquired by and through
28 the use of moneys belonging to the fund.

29 (c) All interest earned upon moneys belonging to the
30 fund and deposited or invested as provided by law.

31 SEC. 152. The State Treasurer shall be the custodian of
32 all moneys and securities belonging to the fund, except as
33 otherwise provided in this act. He shall be liable on his official
34 bond for the safekeeping thereof.

35 All moneys which belong to the fund and are collected
36 or received under this act shall be delivered to the State
37 Treasurer.

38 All securities belonging to the fund shall be delivered to
39 the Treasurer and held by him until otherwise disposed of as
40 provided in this act.

41 SEC. 153. Upon such delivery, such moneys and securities
42 shall be credited by the State Treasurer to the fund. No moneys
43 received or collected on account of the fund shall be expended
44 or paid out without first passing into the State Treasury and
45 being drawn therefrom as provided in this act.

46 SEC. 154. The State Controller shall keep special ledger
47 accounts showing all of the assets in the State Treasury per-
48 taining to the fund.

49 SEC. 155. The authority with the approval of the Board
50 of Control shall cause all moneys in the fund which are in excess
51 of current requirements to be invested and reinvested, from time

1 to time, in securities authorized by law for the investment of
2 funds of savings banks.

3 SEC. 156. All money in the fund is hereby continuously
4 appropriated without regard to fiscal years for the purposes
5 authorized by this act.

6 SEC. 157. Refunds payable or credits due may be paid
7 from the fund.

8 SEC. 158. All of the expenses of the authority in carry-
9 ing out the provisions of this act other than payments for serv-
10 ices and all of the expenses of the department in carrying out the
11 provisions of this act, including the pro rata overhead charges
12 of State Government assessed against the fund, shall not exceed
13 an amount equal to 6 percent of all moneys deposited in the
14 fund. Of such amount, the authority may not expend more than
15 80 percent in carrying out the provisions of this act and the
16 department may not expend more than 20 percent in carrying
17 out the provisions of this act.

18 SEC. 159. The authority and the department each may,
19 with the approval of the Department of Finance, withdraw
20 from the fund, without at the time presenting vouchers and
21 itemized statements, a sum determined to be necessary as a
22 cash revolving fund. The Controller shall draw his warrants
23 in favor of the authority and the department for the amounts
24 so withdrawn, and the Treasurer shall pay such warrants.

25 SEC. 160. Expenditures may be made from a revolving
26 fund for the payment of claims for medical care and hospital
27 services provided pursuant to this act. Reimbursement of a
28 revolving fund for such expenditures shall be made upon pres-
29 entation to the Controller of an abstract or statement of such
30 expenditures. Such abstract shall be in such form as the Con-
31 troller requires.

32 SEC. 161. Whenever moneys are collected, but it is not
33 immediately certain what portion thereof constitutes contri-
34 butions payable under this act and what portion constitutes
35 contributions payable under the Unemployment Insurance Act,
36 the department may, if it desires, pay such moneys into the
37 Special Deposit Fund in the State Treasury as provided in
38 Article 2 of Chapter 2 of Part 2 of Division 4 of Title 2 of
39 the Government Code, subject to recovery by the department
40 and transfer to the proper accounts in the Unemployment Fund,
41 the Disability Fund, and the Health Service Fund upon ascer-
42 tainment by the department of the amounts allocable to each
43 fund, respectively, out of moneys so collected.

44 Article 8. Claims for Services

45
46
47 SEC. 175. Claims for services shall be made in accordance
48 with such regulations as the authority may prescribe.

49 SEC. 176. Claims for services to beneficiaries shall be
50 signed by the eligible employee for each beneficiary claiming by
51 virtue of him, except that if there is good and sufficient reason
52 satisfactory to the authority, a beneficiary may file a claim in

1 his own behalf. All claims shall be payable to the person or
2 persons who furnish the services provided for by this act to the
3 beneficiary, and shall be deemed to be assigned to such person
4 or persons by the beneficiary receiving the services.

5 SEC. 177. Except as provided in Section 176, claims for
6 services under this act are not subject to assignment, release,
7 or commutation and are exempt from all claims of creditors
8 and from all process of law except collection thereof by the
9 person entitled thereto in his own right. Any agreement by an
10 employee to pay all or any portion of the taxes required of his
11 employer under this act shall be void.

12 SEC. 178. The authority may in the case of any particular
13 claim waive the actual payment of all or part of the amount
14 required to be paid by the beneficiary if it finds that the bene-
15 ficiary is, or persons liable for his support are, unable to pay
16 such amount, but this waiver shall not include the incurrence
17 of the obligation to pay for services in the amount required to
18 constitute such amount nor permit payment of any part of such
19 amount from the fund.

20 SEC. 179. Every beneficiary on the date services under
21 this act are first received with respect to a continuous period of
22 disability or hospitalization shall continue to be a beneficiary to
23 the extent provided in Article 3, during such period.

24 SEC. 180. Where an employee has not become eligible for
25 services under the voluntary plan of his employer and is not
26 eligible under the voluntary plan of a prior employer or under
27 Article 4 Section 75 of this act, but has received combined wages
28 of one hundred fifty dollars (\$150) or more during the preceding
29 calendar quarter, or *qualified under Section 75.5*, the insurers of
30 each of the employers for whom the employee worked during
31 such ~~quarter~~ *qualifying period* shall be liable for the required
32 services. The extent of the liability of the respective insurers
33 shall be in the proportion that the total wages paid during the
34 qualifying ~~quarter period~~ to the employee by each employer
35 bears to the total wages paid to such employee by all his
36 employers during such ~~quarter period~~.

37 *Where services to a beneficiary are the liability of more than*
38 *one insurer, the authority may by regulation provide for the*
39 *payment of the claim out of the Health Service Fund, and for*
40 *the pro-rating and assessment of charges with respect to such*
41 *claim to the respective insurers.*

42 "Insurer," as used in this section includes the Health
43 Service Fund, and any person liable for services under an
44 approved voluntary plan.

45 46 Article 9. Administration

47
48 SEC. 200. There is hereby created the California Health
49 Service Authority. The California Health Service Authority
50 consists of 10 members.

51 SEC. 201. The Director of Public Health and the chief
52 executive officer of the Department of Employment shall be ex

1 officio members of the authority, except that the executive officer
2 of the Department of Employment shall be a nonvoting member.
3 The Governor shall appoint the other eight members of the
4 authority. The Director of Public Health shall be the chairman
5 of the authority.

6 SEC. 202. The term of office of the appointed members of
7 the authority shall be four years and until their successors are
8 appointed and qualified. Vacancies occurring during a term
9 shall be filled by appointment for the unexpired term.

10 SEC. 203. The appointive members of the authority shall
11 consist of the following:

12 (a) Three members who are licensed physicians and sur-
13 geons, one of whom is experienced in hospital administration;

14 (b) Two members who shall be representative of
15 employers;

16 (c) Two members who shall be representative of labor;

17 (d) One dentist.

18 SEC. 204. The Governor shall make the first appointments
19 for terms expiring, respectively, as follows:

20 (a) One representative of employers, one representative
21 of labor and one physician for terms expiring on the fifteenth
22 day of January, 1949.

23 (b) One representative of employers, one representative
24 of labor, and one physician for terms expiring on the fifteenth
25 day of January in the year 1950.

26 (c) One physician and the dentist member for terms
27 expiring on the fifteenth day of January in the year 1951.

28 SEC. 205. The appointive members of the authority shall
29 each receive as compensation the sum of twenty-five dollars
30 (\$25) per day for each day or fraction thereof while in attend-
31 ance at meetings of the authority and in addition shall receive
32 their actual and necessary expenses incurred in the discharge
33 of their duties.

34 SEC. 206. The members of the authority shall meet regu-
35 larly once a month and at such other times as the chairman or
36 a majority of the members thereof determine to be necessary.

37 SEC. 207. The number of members required to constitute
38 a quorum of the authority and to concur on all questions except
39 a motion to adjourn or a motion to adjourn to a stated time
40 is five.

41 SEC. 208. Except as to matters over which power is given
42 to the department, the authority has the power generally to
43 perform all acts necessary to carry out the provisions of this
44 act regardless of whether or not the particular power is specifi-
45 cally designated in this act.

46 SEC. 209. The authority shall have the power:

47 (a) To adopt, promulgate, repeal and amend rules and
48 regulations consistent with law necessary or advisable to carry
49 out the provisions of this act.

1 (b) To prescribe by rule standards of service and pre-
2 scribe rates, fees or charges to be claimed and paid for all serv-
3 ices furnished under this act, *which shall constitute full pay-*
4 *ment for all such services except medical services rendered a*
5 *beneficiary entitled to reimbursement only pursuant to Section*
6 *57.5, or hospital services utilized by a beneficiary pursuant to*
7 *Section 58.* In prescribing such rates, fees or charges, the author-
8 ity shall have regard for the necessity of furnishing proper and
9 adequate service. Such rates, fees or charges need not be uniform
10 throughout the State.

11 (c) To adopt a procedure for the establishment of and
12 payment of claims for services furnished.

13 (d) To adopt a procedure for the review and settlement of
14 disputed claims upon demand by the claimant of any claim
15 denied in whole or in part. The authority may provide for a
16 rehearing and for action upon such rehearing.

17 (e) To adopt a procedure for the hearing and determina-
18 tion of appeals from determinations made by the authority.

19 SEC. 210. The authority shall also have the power:

20 (a) To adopt a seal.

21 (b) To sue and be sued.

22 (c) To enter into any contracts or obligations relating to
23 services under this act which are authorized or permitted
24 by law.

25 (d) To appoint, subject to the State Civil Service Act,
26 such assistants and other employees as are necessary for the
27 administration of the affairs of the authority, to prescribe their
28 duties, fix salaries, and require them to execute to the State
29 such official bonds as may be required.

30 (e) To provide and operate such district offices as are
31 deemed necessary.

32 (f) To establish and maintain a statistical plan for the
33 making and maintaining of records showing the experience of
34 the authority in the furnishing of service provided by this act.

35 SEC. 210.5. (a) The authority may expend not to exceed
36 one-sixth of the amount available to it for the limited purposes
37 set forth in Section 158 for the purpose of assisting physicians
38 and surgeons under this act to avail themselves of postgraduate
39 study and refresher courses in order that a high level of medical
40 practice may be stimulated and encouraged.

41 (b) In the administration of such program, the authority
42 shall nominate 10 persons to the Governor, from whom five shall
43 be selected and appointed by the Governor to constitute an
44 advisory committee on postgraduate study for physicians and
45 surgeons, three of whom shall be members of faculties of medical
46 schools and two of whom shall be practicing physicians and
47 surgeons.

48 SEC. 211. (a) The authority shall carry on continual
49 studies of, and shall periodically report to the Governor and
50 to the Legislature on the degree to which the operation of this
51 act alleviates undue financial strain on the people of California,
52 arising from the onslaught of illness or injury and the extent

1 to which and the means by which complete medical care may
2 be made available to the people of the State on a prepaid basis.
3 (b) The authority shall also carry on studies and report
4 to the Governor and to the Legislature with respect to the
5 adequate distribution of the facilities necessary to the proper
6 rendition of the services provided in this act.

7 SEC. 212. No contract, rule, or regulation under this
8 act shall be entered into or prescribed by the authority which
9 in any manner impairs, restricts, or confines the free choice
10 of any person of a physician and surgeon, or hospital.

11 SEC. 213. All proceedings of the authority and the depart-
12 ment shall be open to the public unless a closed hearing is
13 requested by a party to the proceedings. The hospital records,
14 and all other information furnished to the authority or the
15 department by an employing unit, an applicant for hospital
16 services, or a hospital, pursuant to this act except to the extent
17 necessary for the proper administration of this act, shall be
18 confidential and shall not be published or be open to public
19 inspection in any manner revealing the identity of the parties,
20 nor admissible in evidence in any action or special proceeding,
21 other than one arising out of the provisions of this act.

22 SEC. 214. Information obtained in the course of adminis-
23 tration of this act shall not be published or open to public
24 inspection in any manner which will reveal the identity of any
25 beneficiary, employer or hospital except as may be necessary
26 to acquaint a beneficiary or his duly authorized agent with
27 his then existing or prospective right to services. Any officer
28 or employee of the authority or the department who violates
29 this section shall be guilty of a misdemeanor.

30 SEC. 215. The Governor shall appoint, upon nomination
31 by the authority, an Executive Director, who shall act as
32 secretary and executive officer of the authority and shall
33 receive a salary of twelve thousand dollars (\$12,000) per
34 annum. The term of the Executive Director shall be four years
35 and until the qualification of his successor.

36 SEC. 216. The authority may authorize the director or
37 the department to carry out any of its functions under this
38 act and may revoke such authorization in whole or in part.
39

40 Article 10. Medical Advisory Board

41
42 SEC. 250. There is hereby created a Medical Advisory
43 Board to consist of the chairman of the Hospital Services
44 Advisory Board and 10 members appointed by the Governor
45 to serve at his pleasure. The chairman of the board shall be
46 designated by the Governor.

47 SEC. 251. The members of the Medical Advisory Board
48 shall be licensed physicians at least two of whom are teaching
49 members of the faculty of a medical school.

50 SEC. 252. Members of the Medical Advisory Board shall
51 receive no compensation for their services but shall receive

1 their actual necessary expenses, including travel expenses,
2 incurred in the performance of their duties.

3 SEC. 253. The Medical Advisory Board shall upon the
4 request of the authority consult with and advise the authority
5 and shall prepare and submit to the authority their recom-
6 mendations on matters referred to them by the authority.

7
8 Article 11. Hospital Service Advisory Board

9
10 SEC. 265. There is hereby created a Hospital Service
11 Advisory Board to consist of the chairman of the Medical
12 Advisory Board and 10 members, appointed by the Governor
13 to serve at his pleasure.

14 SEC. 266. The members shall be appointed insofar as
15 is possible to be representative of the medical, nursing and
16 other professions specializing in services customarily performed
17 by a hospital. The chairman of the board shall be designated
18 by the Governor.

19 SEC. 267. Members of the Hospital Service Advisory
20 Board shall receive no compensation for their services but
21 shall receive their actual necessary expenses, including travel
22 expenses, incurred in the performance of their duties.

23 SEC. 268. The Hospital Service Advisory Board shall
24 upon the request of the authority consult with and advise the
25 authority and shall prepare and submit to the authority their
26 recommendations on matters referred to them by the authority.

27
28 Article 12. Voluntary Plans

29
30 SEC. 300. An employer may apply to the authority for
31 approval of a voluntary plan for providing health services to
32 his employees. The health services furnished under any volun-
33 tary plan shall be separately stated and designated in the plan
34 "health service benefits" separate and distinct from other
35 benefits, if any.

36 SEC. 301. The authority shall approve any voluntary
37 plan as to which it finds that all of the following exist:

38 (a) The rights afforded to the covered employees are equal
39 to those provided for in this act, including such additional
40 services as the authority may from time to time provide.

41 (a) The rights afforded to the covered employees are at
42 least equal to those provided for in this act and by rule or regu-
43 lation of the authority as of the last preceding first day of July,
44 and provides for the inclusion, on July 1st of each succeeding
45 year, of such additional services, as the authority may from time
46 to time provide.

47 (b) The services provided pursuant to subdivision (a) of
48 this section by the plan are financed by premiums or contribu-
49 tions equal to 2 percent of the wages paid by the employer.

50 (b) The premium cost, or charge made for the basic health
51 services provided pursuant to subdivision (a) of this section by
52 the plan, does not exceed 2 percent of the wages paid by

1 employer, and in no case shall an employee be required to pay
2 more than 50 percent of the total premium or charge for such
3 services.

4 (c) The plan enumerates the benefits offered, if any, in
5 addition to those required under subdivision (a) of this section
6 and designates the amount of additional premiums or contri-
7 butions charged as allocated for such additional benefits and
8 requires the payment by the employer of an amount equal to
9 at least 1 percent of the wages paid by him, where the total
10 premium cost or charge for all benefits provided under the plan
11 exceeds an amount equal to 2 percent of the wages paid by the
12 employer.

13 (d) The plan provides for the coverage of full benefit rights
14 to beneficiaries under the plan for a period of three months after
15 the close of any calendar quarter during which their participa-
16 tion in the plan is terminated or until the beneficiary becomes
17 eligible under another approved voluntary plan or under Article
18 4 of this act, whichever first occurs, and the plan provides for
19 the assumption of liability pursuant to Section 180 of this act.

20 (e) The plan has been made available to all of the
21 employees of the employer employed in this State except that
22 if the employer maintains more than one distinct separate
23 establishment in this State the plan has been made available to
24 all employees of any such establishment.

25 (f) A majority of the employees of the employer employed
26 in this State have consented to the plan, except that if the
27 employer maintains more than one distinct, separate estab-
28 lishment in this State a majority of the employees employed at
29 any such establishment have consented to the plan.

30 (g) If the plan provides for insurance, that the form of
31 the insurance policies to be issued has been approved by the
32 Insurance Commissioner and contains standard provisions
33 approved by the authority as necessary to provide the services
34 required under subdivision (a) of this section, and that the
35 policies are to be issued by an admitted insurer.

36 (h) The employer has agreed to make the pay roll deduc-
37 tions required, if any, and transmit the proceeds to the plan
38 insurer, if any.

39 (i) The plan provides for the inclusion of future
40 employees.

41 (j) The plan is to be in effect for a period of not less than
42 two years one year and thereafter continuously unless the
43 authority finds that the employer or a majority of his employees
44 employed in this State covered by such plan have given notice of
45 the termination of such plan. Such notice shall be filed in writ-
46 ing with the authority and, upon such filing, shall be effective
47 at the date indicated therein, but in any event not less than 60
48 days from the time of the filing of such notice.

49 (k) The approval of the plan or plans will not result in a
50 substantial selection of risks adverse to the Health Service Fund.

51 Sec. 302. If the plan does not provide for the assump-
52 tion by an admitted disability insurer of the liability of the

1 employer to provide for the services afforded thereby, the
2 authority shall not approve it unless the employer *or any pre-*
3 *paid medical health or hospital plan which has assumed such*
4 *liability of the employer* files with the authority the bond of an
5 admitted surety insurer conditioned on the payment ~~by the~~
6 ~~employer of his of the~~ obligations under the plan, or deposits
7 with the authority securities approved by the authority to secure
8 the payment of such obligations. The penal sum of the bond or
9 the amount of the deposit shall be determined by the authority
10 and shall be not less *more* than the contributions which would
11 have been paid by the employees to be covered by the plan dur-
12 ing the preceding year, or the estimated contributions of such
13 employees for the ensuing year, whichever is greater.

14 SEC. 303. Employers whose employees are participating
15 in an approved voluntary plan and any insurer of an approved
16 plan shall furnish such reports and information and make avail-
17 able to the authority such records as the authority may by
18 authorized regulations require for the proper administration of
19 this article.

20 SEC. 304. The authority shall, in accordance with author-
21 ized regulations, promptly furnish to employers, employees,
22 or insurers, such information as may be required for the proper
23 administration of an approved voluntary plan.

24 SEC. 305. On and after July 1, 1948, neither an employee
25 covered by an approved voluntary plan nor his employer is
26 liable for the contributions required by this act with respect
27 to wages paid by the employer for employment, and such an
28 employee is not entitled to any benefit from the Health Service
29 Fund while he is covered by the voluntary plan.

30 SEC. 306. An employer may, but need not, assume all or
31 part of the cost of the plan, and may deduct from the wages of
32 an employee covered by the plan for the purpose of providing
33 the services specified in Article 3, an amount not in excess of
34 that which would be required by Section 126, if the employee
35 were not covered by the plan.

36 SEC. 307. All money received or retained by an employer
37 under a plan are trust funds and shall be separately accounted
38 for by the employer. In the event of commingling of the funds
39 or the bankruptcy or insolvency of the employer or the appoint-
40 ment of a receiver for the business of the employer, such funds
41 are entitled to the same preference as are the claims of the State
42 under Section 46 of the Unemployment Insurance Act.

43 SEC. 308. The authority may after notice and hearing
44 withdraw its approval of any voluntary plan if it finds that
45 there is danger that the liability for services accrued or to accrue
46 will not be paid, that the security for such payment is insuffi-
47 cient, that the operation of the voluntary plan has resulted in
48 a selection of risks adverse to the fund, or for other good cause
49 shown.

50 SEC. 309. If any employer or insurer denies liability in
51 whole or in part upon the claim of an employee for services

1 under an approved plan, the employee may appeal the denial
2 to the authority. The authority shall by regulations provide for
3 hearings on such appeals. In the event it is determined that the
4 employee is entitled to receive services and the employer or
5 insurer fails to pay the same within 15 days after a decision, the
6 authority shall pay such benefits and cause such amount to be
7 assessed by the ~~commission~~ department against the employer or
8 the insurer, and the provisions of Article 6, of this act with
9 respect to the assessment and collection of contributions shall
10 apply to the recovery of such benefit payments. Amounts so
11 collected shall be deposited in the Health Service Fund.

12 SEC. 310. The authority shall make a continuing study of
13 the effects of voluntary plans, and the selection of risks there-
14 under, on the Health Service Fund and shall report to the
15 Governor and the Legislature thereon, including its recom-
16 mendations for assessing voluntary plans to equalize the adverse
17 selection of risks, if any.

18 SEC. 311. The authority shall, in accordance with author-
19 ized rules, determine each fiscal year the total amount expended
20 for added administrative work under this act arising out of
21 voluntary plans and the amount necessary to provide sufficient
22 funds to carry out the purposes of Section 210.5. The total of
23 such amount so determined shall be pro rated among the
24 approved voluntary plans in effect during that year on the
25 basis of the amount of wages paid in employment by employers
26 to individuals participating in such plans. The department shall
27 make assessments of amounts so pro rated against the employers
28 responsible for benefits under such approved plans. The amount
29 assessed shall not exceed two-one-hundredths of one percent
30 (0.02%) of the amount of wages paid in employment by
31 employers to individuals participating in such plans. The pro-
32 visions of Article 6 of this act with respect to the assessment
33 and collection of contributions shall apply to the assessments
34 provided by this section. The amounts collected by the depart-
35 ment under this section shall be added to amounts otherwise
36 made available for administration of this article and Sec-
37 tion 210.5.

38 SEC. 312. *"Voluntary plan" as used in this act includes*
39 *any prepaid medical, health or hospital service plan.*

40 41 Article 13. Subrogation

42
43 SEC. 350. If any service is furnished under this act to
44 any individual having a right or claim for compensation or
45 damages in whole or in part for or on account of any disability,
46 injury, or illness against any other person, or having a right or
47 claim for compensation under a workmen's compensation or
48 employer's liability law of this State, or any other state or the
49 Federal Government, the fund shall, to the extent of the cost
50 of the services, be entitled to reimbursement out of any sum
51 or damages which the recipient of such services receives or is
52 entitled to receive by way of compensation or through suit,

1 settlement or judgment. The authority, on behalf of the fund,
2 shall to that extent be subrogated to the rights or claims of the
3 recipient of the services against such other person in cases in
4 which the injurious act of such third person causes a disabling
5 condition entitling the recipient to services under this act and
6 in cases in which the workmen's compensation law or employer's
7 liability law of this State, or of any other state or the Federal
8 Government, grants compensation.

9 SEC. 351. Upon notice being given as provided herein to
10 the person against whom the right or claim exists or is asserted.
11 the authority has a lien upon the right or claim, and upon the
12 sum or damages paid or received thereunder, to the extent of
13 the amount for which the fund is entitled to reimbursement.

14 SEC. 352. If any individual claiming or receiving services
15 has a right or claim described in Section 350 but unreasonably
16 refuses or neglects to take the necessary action to enforce his
17 right or claim within such time as the authority by regulation
18 prescribes, the authority may, at its own expense, take such
19 action or proceedings in the name and in behalf of the indi-
20 vidual as it deems necessary to enforce his right or claim. Any
21 sum recovered by the authority in such an action or proceeding,
22 through a settlement, judgment, or otherwise, in excess of the
23 amount to which the fund is entitled by way of reimbursement
24 plus the reasonable expenses of the authority in connection
25 with such action or proceeding, shall be held by the authority
26 as trustee for the individual in whose behalf the action was
27 undertaken. In the event that the authority undertakes an
28 action or proceeding and fails therein, the costs and expenses
29 thereof shall be payable out of the fund.

30 SEC. 353. The authority may furnish services under this
31 act to any individual having or claiming to have rights to com-
32 pensation or damages pending the settlement or determination
33 of his right or claim. The furnishing of services to such an
34 individual shall be without prejudice to any method of recovery
35 provided in this act. If the authority furnishes or intends to
36 furnish services under this act, it may give written notice to
37 the person against whom the recipient of such services has or
38 claims a right to compensation or damages. After the receipt
39 of such notice and of a certified statement of the amount of the
40 advances actually made, such person shall pay to the authority
41 to the extent of the amount for which he is liable, less any sums
42 which he may have actually paid to the authority or to the
43 department prior to the receipt of such notice, the costs of the
44 services paid by the authority. The receipt by the authority of
45 any of such payments, to the extent thereof, constitutes a full
46 and valid discharge of the claims of the recipient against such
47 third person.

48 Article 14. Penalties

49
50
51 SEC. 400. The wilful making by a physician of a false
52 statement or representation or the failure to disclose any mate-

1 rial fact known to him to obtain any service or benefit provided
2 under this act, for himself or any other person, constitutes
3 unprofessional conduct within the meaning of Chapter 5 of
4 Division 2 of the Business and Professions Code.

5 SEC. 401. It is a misdemeanor:

6 (a) Wilfully to make a false statement or representation
7 or knowingly fail to disclose a material fact to obtain any service
8 under the provisions of this act, whether for the maker or for
9 any other person or for the purpose of lowering or avoiding
10 any contribution required of the maker or any other person or
11 to avoid becoming or remaining subject to this act;

12 (b) On the part of any employer or any officer or agent of
13 an employee to make a greater deduction from the wages of an
14 employee other than the contribution required of such employee
15 by this act, or as expressly otherwise permitted by law;

16 (c) On the part of any employer or any officer or agent
17 of an employer, wilfully and unlawfully to fail or neglect to
18 make available required records for the inspection of the depart-
19 ment, the authority, or its authorized representatives at any
20 reasonable time during business hours;

21 (d) On the part of any employer, or any officer or agent
22 of an employer, wilfully and unlawfully to fail or neglect to
23 furnish to the department reports required by it when necessary
24 for the enforcement of this act;

25 (e) On the part of any employer, or any officer or agent of
26 an employer or any individual to connive or conspire to aid
27 such individual to obtain benefits under this act to which such
28 individual is not entitled by the wilful withholding of informa-
29 tion or by the wilful failure to report any relevant information;

30 (f) For any person to wilfully violate any provisions of
31 this act or any rule or regulation promulgated or published by
32 the authority or the department in accordance with this act;

33 (g) On the part of any officer, employee, or any other indi-
34 vidual to disclose or make public any information obtained in
35 the course of administration of this act other than as required to
36 properly discharge his duties or to fulfill the purposes expressed
37 in this act.

38 SEC. 402. Any employer, including any individual mem-
39 ber of a partnership or employing unit, and any officer of a
40 corporate employing unit having a knowledge thereof, which
41 withholds the deductions required by this act from remunera-
42 tion paid to its employees, and wilfully fails or is financially
43 unable to pay such deductions to the Health Service Fund before
44 the date on which the same become delinquent shall be guilty
45 of a misdemeanor.

46 SEC. 403. All fines collected for violations of the provi-
47 sions of this act shall be paid one-half into the State Treasury
48 to the credit of the Health Service Fund, and one-half to the
49 treasurer of the jurisdiction in which the misdemeanor is prose-
50 cuted, to be deposited in the same fund as fines for other mis-
51 demeanors occurring in that jurisdiction are deposited.

1 *SEC. 404. The charging, collection, or receipt by a physi-*
2 *cian of any amount for medical services rendered to a bene-*
3 *ficiary under this act for which a claim has been filed, except*
4 *for services rendered to a beneficiary entitled to reimbursement*
5 *only pursuant to Section 58.5, constitutes unprofessional con-*
6 *duct within the meaning of Chapter 5 of Division 2 of the Busi-*
7 *ness and Professions Code.*

ASSEMBLY BILL

No. 863

Introduced by Messrs. George D. Collins, Rosenthal, and Thomas

January 19, 1949

REFERRED TO COMMITTEE ON PUBLIC HEALTH

An act to create and provide for a prepaid health service system for the people of the State of California, and making an appropriation therefor.

The people of the State of California do enact as follows:

Article 1. General Purposes

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SECTION 1. It is the purpose of this act to provide a system of prepaid health service for the people of the State of California to the end that the general health of the people may be improved and the misfortune and financial strain arising from the onslaught of illness or injury be avoided, by providing a fund from which medical and hospital costs may be met. Although modern medical science has made gratifying and outstanding progress thus providing facilities for greatly improving the general level of health in the community, economic conditions have tended to make medical facilities less available to many citizens by reason of the necessarily increased costs. It is the purpose of this act to make such facilities available to as many citizens of the State as possible, and at the same time to insure to those furnishing such service and facilities an adequate and sure compensation. It is the further purpose of this act to encourage the professions and organizations concerned with the furnishing of medical care and services incident thereto, to increase their facilities and to offer higher standards of performance to supply adequately the requirements of the health service system herein provided. Such encouragement is intended further to stimulate and improve the standards and facilities for medical education available within the State. The Legislature of the State of California therefore declares that

1 this act is essential to the health, safety and welfare of the
2 people of this State.

3 SEC. 2. It is a misdemeanor for any employer to require
4 membership in any system or organization granting any health
5 service as a condition of employment, and any such condition
6 in any contract of employment is void.

7

8

Article 2. Definitions

9

10 SEC. 20. The definitions in this article shall, unless the
11 context otherwise requires, govern the meaning of the terms
12 used in this act.

13 SEC. 21. "Authority" means the California Health
14 Service Authority created by this act.

15 SEC. 22. "Director" means the Executive Director of
16 the authority.

17 SEC. 23. "Department" means the Department of
18 Employment.

19 SEC. 24. "United States" means the Government of the
20 United States and each department, authority, subdivision,
21 agency, and instrumentality thereof, corporate or otherwise.

22 SEC. 25. "Public Agency" means this State, any county,
23 city and county, city, municipality, district or other political
24 subdivision thereof, whether chartered or unchartered.

25 SEC. 26. "Person" includes association, organization,
26 partnership, business trust, and corporation.

27 SEC. 27. "Fund" means the Health Service Fund in the
28 State Treasury.

29 SEC. 28. "Beneficiary" means any person who is eligible
30 for services under this act and his dependents.

31 SEC. 29. "Dependent" means a legally dependent spouse
32 and dependent children under the age of eighteen.

33 SEC. 30. "Physician" means physician as defined in
34 Section 3209.3 of the California Labor Code.

35 SEC. 31. "Hospital" means an institution providing
36 necessary and customary in-patient care of the sick and which
37 hospital is licensed by the Department of Public Health.

38 SEC. 32. "Service" means the service or services set
39 forth in Article 3 of this act.

40 SEC. 33. "Employing unit" has the same meaning set
41 forth in the Unemployment Insurance Act and also includes
42 all public agencies.

43 SEC. 34. "Employment" means the following:

44 (a) "Employment" as defined in the Unemployment
45 Insurance Act.

46 (b) Service performed in the employ of a public agency.

47 SEC. 35. "Employer" means the following:

48 (a) "Employer" as defined in the Unemployment Insur-
49 ance Act.

50 (b) A public agency for which services in employment
51 subject to this act are performed.

1 SEC. 36. "Employee" means an individual performing
2 services in employment for an employer subject to this act and
3 includes public officials whether elected or appointed.

4 SEC. 37. "Wages" has the meaning set forth in the Unem-
5 ployment Insurance Act.

6 SEC. 38. "Contribution" means the money payments to
7 the fund required by this act.

8 SEC. 39. "Rules" includes regulations.
9

10 Article 3. Health Services

11
12 SEC. 50. Health services are:

13 (a) Basic services and

14 (b) Additional benefits.

15 SEC. 51. Basic services are the following:

16 (a) General practitioner services rendered by a licensed
17 physician or surgeon licensed in this State and registered under
18 this act, whenever such services are required by the standards
19 of good medical practice for preventative, diagnostic, therapeutic,
20 or other medical treatment or care. Such services may be
21 rendered at the physician's office, in a hospital or clinic, or any-
22 where else within the State of California, in accordance with the
23 standard of medical practice in the community in which the
24 service is rendered.

25 (b) Consultation and specialist services in addition to
26 those of the general practitioner.

27 (c) Laboratory and X-ray services.

28 (d) Necessary hospitalization, excluding ambulance serv-
29 ices, for a period not to exceed twenty-one days in any calendar
30 year for each separate and distinct illness or injury.

31 (e) Drugs, medicines and biologics, bandages, splints and
32 other supplies prescribed by the attending physician and sur-
33 geon. Basic services shall not include drugs other than preven-
34 tive biologics, except when used in course of treatment in a
35 hospital.

36 (f) Such general nursing service as is afforded by the hos-
37 pital in which the treatment is given, but not private or special
38 nursing service.

39 (g) The following dental services: The services of a dentist
40 for the extraction of teeth and for the treatment of acute infec-
41 tions of the teeth, gums, and alveolar processes and the bone
42 adjacent thereto, or fractures of the jaws.

43 SEC. 52. Basic services other than dental or general prac-
44 titioner services shall be furnished only upon the certificate
45 of the general practitioner or specialist to whom the patient is
46 referred.

47 SEC. 53. Basic services shall be furnished for tubercu-
48 losis and mental infirmities or disorders only up to time of diag-
49 nosis of such condition.

50 SEC. 54. Basic services shall be furnished for not in excess
51 of one year for any one illness or injury.

SEC. 71. Whenever a dispute arises as to whether a person is a beneficiary, he shall be entitled to services unless or until it shall be finally determined through the appropriate appeals procedure that he was not a beneficiary. If it is finally determined

1 that he was not a beneficiary he shall become liable to the author-
2 ity for the amount expended from the fund in his behalf, and
3 such amounts may be recovered on behalf of the fund in the same
4 manner as is provided for the collection of contributions under
5 Article 6, of this act.

6 SEC. 72. The authority may refer to the department any
7 question pertaining to the allowance of any services under this
8 act when such allowance may be dependent upon a determin-
9 ation of the individual's eligibility.

10 SEC. 73. The department shall determine all questions
11 referred to it. Such determinations shall be made in accordance
12 with the procedure for the determination, redetermination, or
13 the appeal of claims for benefits under the Unemployment Insur-
14 ance Act and rules relating thereto.

15 SEC. 74. The determination of the department in respect
16 to any question of eligibility referred to it shall be binding upon
17 the authority.

18 SEC. 75. The determination by the department of any
19 question referred to it pursuant to this article is not final, and
20 may not be reviewed in any court until incorporated in a final
21 decision of the authority. Any such determination shall be incor-
22 porated in a final decision of the authority within ten days of
23 the date of release thereof by the department.

24 Article 5. Elective Coverage

25
26
27 SEC. 80. The authority may, by contractual engagements
28 or other undertakings, make the service set forth in this act
29 available to any resident of this State who is not otherwise eligi-
30 ble, subject to conditions prescribed by rule or regulation of the
31 authority. Such regulations shall require payment of a premium,
32 or contributions as determined by the authority for a period of
33 not less than sixty days before such individual shall be eligible
34 for services.

35 SEC. 81. Any person who has become eligible for services
36 under this act, but who by virtue of change in occupational or
37 dependency status would lose eligibility, may continue as a
38 beneficiary without interruption, by paying into the Health
39 Service Fund within such period and at such intervals as may
40 be required by the authority, such premiums or contributions
41 as the authority may determine to be equitable.

42 SEC. 82. Any employing unit for which services that do
43 not constitute employment as defined in this act are performed,
44 may file with the department a written election that all such
45 services performed by individuals in its employ in one or more
46 distinct establishments or places of business shall be deemed
47 to constitute employment by an employer for all the purposes
48 of this act for not less than one calendar year. Upon the written
49 approval of such election by the department, such services
50 shall be deemed to constitute employment subject to this act
51 from and after the date stated in such approval. Such services
52 shall cease to be deemed employment subject hereto as of

1 January 1st of any calendar year subsequent to the year of
2 elective coverage, notwithstanding anything elsewhere contained
3 in this act, only if on or before the thirty-first day of December
4 of such preceding year, such employing unit has filed with the
5 department a written notice to that effect.

6 The department may for good cause waive the require-
7 ments of this section for termination of an elective coverage
8 agreement.

9 SEC. 83. Every employing unit which files an election to
10 become an employer subject to this act or to cease to be an
11 employer subject to this act, pursuant to the provisions of this
12 article shall post and maintain printed notices of such election
13 on his premises, as may be prescribed by regulations of the
14 department. Individuals in the employ of any employing unit
15 which files an election to become an employer subject to this
16 act shall be given a reasonable opportunity to file objections
17 thereto or be heard thereon prior to the department's approval
18 of such election.

19 SEC. 84. In no case shall the department approve any
20 such election under Section 82, unless and until it has been
21 established to the satisfaction of the department that such
22 employing unit is normally and continuously engaged in a regu-
23 lar trade, business or occupation.

24 25 Article 6. Contributions 26

27 SEC. 90. Every employer shall pay a contribution equal
28 to one percent (1%) of all wages paid with respect to employ-
29 ment after January 1, 1950.

30 SEC. 91. Each employee shall also pay contributions
31 equal to one percent (1%) of his wages with respect to employ-
32 ment after January 1, 1950.

33 SEC. 92. The amount of contributions payable by a public
34 agency under this act shall automatically increase all statutory
35 debt and liability limits otherwise applicable to any such units
36 by the amount so payable.

37 SEC. 93. Employers shall furnish to each of their employ-
38 ees evidence of eligibility for services under this act at such
39 time and in such form as the department or the authority by
40 regulation prescribes.

41 SEC. 94. Anything in this act contained to the contrary
42 notwithstanding, any individual who adheres to the faith or
43 teaching of any well-recognized religious sect, denomination,
44 or organization, and in accordance with its creed, tenets, or
45 principles, depends for healing upon prayer in the practice of
46 religion shall be exempt from the contributions required by
47 this act upon filing with the department a statement, in dupli-
48 cate, stating such adherence and dependence and disclaiming
49 any benefit for himself and his dependents under this act. Any
50 such employee so exempt and his dependents shall not be fur-
51 nished any service provided by this act while such exemption
52 is in force; and the effect of a withdrawal of such statement by

1 such exempt employee shall operate to make him subject from
2 the date of such withdrawal to the provisions of this act only to
3 the extent to which an employee upon first entering employ-
4 ment subject to this act, is entitled to such services and subject
5 to the same conditions.

6 SEC. 95. Every employer shall, notwithstanding any pro-
7 visions of law in this State to the contrary, withhold in trust
8 the amount of his employees' contributions from their wages
9 at the time such wages are paid, shall show such deduction on
10 his pay roll records, shall furnish each employee with a state-
11 ment in writing showing the amount which has been deducted
12 in such form and at such times as the department may prescribe
13 and shall transmit all such contributions to the fund in addition
14 to his own contributions, pursuant to the regulations of the
15 department.

16 SEC. 96. Subdivisions (b) and (c) of Section 44, subdivi-
17 sions (b) and (c) of Section 44.2 and Sections 45 to 46.2,
18 except subdivision (e) of Section 45, of the Unemployment
19 Insurance Act shall be applicable in all respects to the report-
20 ing of contributions, interest and penalties attaching thereto,
21 and the levy, assessment, reassessment, collection, and refund
22 of all contributions by the department under this act, except
23 that the following words in those sections of the Unemployment
24 Insurance Act have the following meanings respectively with
25 respect to contributions under this act:

26 (a) "Employment," and "employer," mean respectively
27 that which they are defined as in this act.

28 (b) "Worker," means employee.

29 (c) "Section 44" means Section 91 of this act.

30 (d) "Unemployment contributions judgments" means
31 health service contributions judgments.

32 (e) "Unemployment fund," "disability fund," "fund,"
33 and "clearing account" means the Health Service Fund.

34 SEC. 97. Any rule, regulation, or interpretation issued
35 by the department in accordance with the provisions of this act
36 may prescribe the extent, if any, to which it shall be applied
37 without retroactive effect in cases where, in the absence of such
38 a provision, it would have such retroactive effect.

39 SEC. 98. The amount of employer contributions, together
40 with employee contributions, shall be pooled and available for
41 the furnishing of service to any person entitled thereto under
42 the provisions of this act regardless of the source of such con-
43 tribution.

44 SEC. 99. The levy, assessment, reassessment, collection
45 and refund of all contributions payable to the fund pursuant
46 to this article or pursuant to Article 5, shall be the function and
47 duty of the department, and a determination by the department
48 with respect to any controversy arising in connection therewith
49 shall be final, subject only to such judicial review as is pro-
50 vided by law. The department has power to adopt rules, not
51 inconsistent with this act, in the furtherance of its functions
52 and duties as herein provided.

Article 7. Health Service Fund

SEC. 100. The Health Service Fund is created in the State Treasury. The moneys and securities of the fund shall be held in trust by the State Treasurer to make available the services provided by this act.

SEC. 101. The fund shall consist of:

(a) All income received and paid into the fund in accordance with the provisions of this act.

(b) All property and securities acquired by and through the use of moneys belonging to the fund.

(c) All interest earned upon moneys belonging to the fund and deposited or invested as provided by law.

SEC. 102. The State Treasurer shall be the custodian of all moneys and securities belonging to the fund, except as otherwise provided in this act. He shall be liable on his official bond for the safekeeping thereof.

All moneys which belong to the fund and are collected or received under this act shall be delivered to the State Treasurer.

All securities belonging to the fund shall be delivered to the Treasurer and held by him until otherwise disposed of as provided in this act.

SEC. 103. Upon such delivery, such moneys and securities shall be credited by the State Treasurer to the fund. No moneys received or collected on account of the fund shall be expended or paid out without first passing into the State Treasury and being drawn therefrom as provided in this act.

SEC. 104. The State Controller shall keep special ledger accounts showing all of the assets in the State Treasury pertaining to the fund.

SEC. 105. The authority with the approval of the Board of Control shall cause all moneys in the fund which are in excess of current requirements to be invested and reinvested, from time to time, in securities authorized by law for the investment of funds of savings banks.

SEC. 106. All money in the fund is hereby continuously appropriated without regard to fiscal years for the purposes authorized by this act.

SEC. 107. Refunds payable or credits due may be paid from the fund.

SEC. 108. All of the expenses of the authority in carrying out the provisions of this act other than payments for services and all of the expenses of the department in carrying out the provisions of this act, including the pro rata overhead charges of State Government assessed against the fund, shall not exceed an amount equal to 6 percent of all moneys deposited in the fund. Of such amount, the authority may not expend more than 80 percent in carrying out the provisions of this act and the department may not expend more than 20 percent in carrying out the provisions of this act.

SEC. 109. The authority and the department each may, with the approval of the Department of Finance, withdraw from

1 the fund, without at the time presenting vouchers and itemized
2 statements, a sum determined to be necessary as a cash revolving
3 fund. The Controller shall draw his warrants in favor of
4 the authority and the department for the amounts so with-
5 drawn, and the Treasurer shall pay such warrants.

6 SEC. 110. Expenditures may be made from a revolving
7 fund for the payment of claims for medical care and hospital
8 services provided pursuant to this act. Reimbursement of a
9 revolving fund for such expenditures shall be made upon pres-
10 entation to the Controller of an abstract or statement of such
11 expenditures. Such abstract shall be in such form as the Con-
12 troller requires.

13 SEC. 111. Whenever moneys are collected, but it is not
14 immediately certain what portion thereof constitutes contribu-
15 tions payable under this act and what portion constitutes con-
16 tributions payable under the Unemployment Insurance Act, the
17 department may, if it desires, pay such moneys into the Special
18 Deposit Fund in the State Treasury as provided in Article 2
19 of Chapter 2 of Part 2 of Division 4 of Title 2 of the Govern-
20 ment Code, subject to recovery by the department and transfer
21 to the proper accounts in the Unemployment Fund, the Dis-
22 ability Fund, and the Health Service Fund upon ascertainment
23 by the department of the amounts allocable to each fund, respec-
24 tively, out of moneys so collected.

25 Article 8. Claims for Services

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28 SEC. 120. Claims for services shall be made in accord-
29 ance with such regulations as the authority may prescribe.

30 SEC. 121. The assets of the fund shall be applicable to
31 the payment of claims for authorized services performed in
32 accordance with this act, and the rules and regulations of the
33 authority, and to the payment of the salaries and other expenses
34 necessarily incurred in the operation of the fund.

35 Article 9. Administration

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38 SEC. 130. There is hereby created the California Health
39 Service Authority. The California Health Service Authority
40 consists of nine members.

41 SEC. 131. The Director of Public Health and the chief
42 executive officer of the Department of Employment shall be ex
43 officio members of the authority, except that the executive
44 officer of the Department of Employment shall be a nonvoting
45 member. The Governor shall appoint the other seven members of
46 the authority. The Director of Public Health shall be the chair-
47 man of the authority.

48 SEC. 132. The term of office of the appointed members of
49 the authority shall be four years and until their successors are
50 appointed and qualified. Vacancies occurring during a term
51 shall be filled by appointment for the unexpired term.

1 SEC. 133. The appointive members of the authority shall
2 consist of the following:

3 (a) Three members who are licensed physicians, one of
4 whom is experienced in hospital administration;

5 (b) Two members who shall be representative of
6 employers;

7 (c) Two members who shall be representative of labor.

8 SEC. 134. The Governor shall make the first appointments
9 for terms expiring, respectively, as follows:

10 (a) One representative of employers, one representative of
11 labor and one physician for terms expiring on the fifteenth day
12 of January, 1951.

13 (b) One representative of employers, one representative of
14 labor, and one physician for terms expiring on the fifteenth day
15 of January in the year 1952.

16 (c) One physician for term expiring on the fifteenth day
17 of January in the year 1953.

18 SEC. 135. The appointive members of the authority shall
19 each receive as compensation the sum of twenty-five dollars
20 (\$25) per day for each day or fraction thereof while in attend-
21 ance at meetings of the authority and in addition shall receive
22 their actual and necessary expenses incurred in the discharge of
23 their duties.

24 SEC. 136. The members of the authority shall meet regu-
25 larly once a month and at such other times as the chairman or a
26 majority of the members thereof determine to be necessary.

27 SEC. 137. The number of members required to constitute
28 a quorum of the authority and to concur on all questions except
29 a motion to adjourn or a motion to adjourn to a stated time
30 is five.

31 SEC. 138. Except as to matters over which power is given
32 to the department, the authority has the power generally to per-
33 form all acts necessary to carry out the provisions of this act
34 regardless of whether or not the particular power is specifically
35 designated in this act.

36 SEC. 139. The authority shall have the power:

37 (a) To adopt, promulgate, repeal and amend rules and
38 regulations consistent with law necessary or advisable to carry
39 out the provisions of this act.

40 (b) To prescribe by rule standards of service and prescribe
41 rates, fees or charges to be claimed and paid for all services fur-
42 nished under this act, which shall constitute full payment for
43 all such services except hospital services utilized by a benefici-
44 ary pursuant to Section 57. In prescribing such rates, fees or
45 charges, the authority shall have regard for the necessity of
46 furnishing proper and adequate service. Such rates, fees or
47 charges need not be uniform throughout the State.

48 (c) To adopt a procedure for the establishment of and pay-
49 ment of claims for services furnished.

50 (d) To adopt a procedure for the review and settlement of
51 disputed claims upon demand by the claimant of any claim

1 denied in whole or in part. The authority may provide for a
2 rehearing and for action upon such rehearing.

3 (e) To adopt a procedure for the hearing and determina-
4 tion of appeals from determinations made by the authority.

5 SEC. 140. The authority shall also have the power:

6 (a) To adopt a seal.

7 (b) To sue and be sued.

8 (c) To enter into any contracts or obligations relating to
9 services under this act which are authorized or permitted by law.

10 (d) To appoint, subject to the State Civil Service Act, such
11 assistants and other employees as are necessary for the adminis-
12 tration of the affairs of the authority, to prescribe their duties,
13 fix salaries, and require them to execute to the State such official
14 bonds as may be required.

15 (e) To provide and operate such district offices as are
16 deemed necessary.

17 (f) To establish and maintain a statistical plan for the
18 making and maintaining of records showing the experience of
19 the authority in the furnishing of service provided by this act.

20 SEC. 140.5. (a) The authority may expend not to exceed
21 one-twentieth of the amount available to it for the limited pur-
22 poses set forth in Section 108 for the purpose of assisting physi-
23 cians and surgeons under this act to avail themselves of post-
24 graduate study and refresher courses in order that a high level
25 of medical practice may be stimulated and encouraged.

26 (b) In the administration of such program, the authority
27 shall nominate 10 persons to the Governor, from whom five shall
28 be selected and appointed by the Governor to constitute an advi-
29 sory committee on postgraduate study for physicians and sur-
30 geons, three of whom shall be members of faculties of medical
31 schools and two of whom shall be practicing physicians and
32 surgeons.

33 SEC. 141. (a) The authority shall carry on continual
34 studies of, and shall periodically report to the Governor and
35 to the Legislature on the degree to which the operation of this
36 act alleviates undue financial strain on the people of Califor-
37 nia, arising from the onslaught of illness or injury and the extent
38 to which and the means by which complete medical care may be
39 made available to the people of the State on a prepaid basis.

40 (b) The authority shall also carry on studies and report to
41 the Governor and to the Legislature with respect to the adequate
42 distribution of the facilities necessary to the proper rendition of
43 the services provided in this act.

44 SEC. 142. No contract, rule, or regulation under this act
45 shall be entered into or prescribed by the authority which in any
46 manner impairs, restricts, or confines the free choice of any
47 person of a physician or hospital.

48 SEC. 143. All proceedings of the authority and the depart-
49 ment shall be open to the public unless a closed hearing is
50 requested by a party to the proceedings. The hospital records
51 and all other information furnished to the authority or the
52 department by an employing unit, an applicant for hospital

1 services, or a hospital, pursuant to this act except to the extent
2 necessary for the proper administration of this act, shall be con-
3 fidential and shall not be published or be open to public inspec-
4 tion in any manner revealing the identity of the parties, nor
5 admissible in evidence in any action or special proceeding, other
6 than one arising out of the provisions of this act.

7 SEC. 144. Information obtained in the course of adminis-
8 tration of this act shall not be published or open to public inspec-
9 tion in any manner which will reveal the identity of any bene-
10 ficiary, employer or hospital except as may be necessary to
11 acquaint a beneficiary or his duly authorized agent with his
12 then existing or prospective right to services. Any officer or
13 employee of the authority or the department who violates this
14 section shall be guilty of a misdemeanor.

15 SEC. 145. The Governor shall appoint, upon nomination
16 by the authority, an executive director, who shall act as secre-
17 tary and executive officer of the authority and shall receive a
18 salary of twelve thousand dollars (\$12,000) per annum. The
19 term of the executive director shall be four years and until the
20 qualification of his successor.

21 SEC. 146. The authority may authorize the director or
22 the department to carry out any of its functions under this act
23 and may revoke such authorization in whole or in part.

24 25 Article 10. Medical Advisory Board 26

27 SEC. 150. There is hereby created a Medical Advisory
28 Board to consist of the chairman of the Hospital Services Advis-
29 ory Board and 10 members appointed by the Governor to serve
30 at his pleasure. The chairman of the board shall be designated
31 by the Governor.

32 SEC. 151. The members of the Medical Advisory Board
33 shall be licensed physicians at least two of whom are teaching
34 members of the faculty of a medical school.

35 SEC. 152. Members of the Medical Advisory Board shall
36 receive no compensation for their services but shall receive their
37 actual necessary expenses, including travel expenses, incurred
38 in the performance of their duties.

39 SEC. 153. The Medical Advisory Board shall upon the
40 request of the authority consult with and advise the authority
41 and shall prepare and submit to the authority their recommenda-
42 tions on matters referred to them by the authority.

43 44 Article 11. Hospital Service Advisory Board 45

46 SEC. 160. There is hereby created a Hospital Service
47 Advisory Board to consist of the chairman of the Medical Advis-
48 ory Board and 10 members, appointed by the Governor to serve
49 at his pleasure.

50 SEC. 161. The members shall be appointed insofar as is
51 possible to be representative of the medical, nursing and other
52 professions specializing in services customarily performed by a

1 hospital. The chairman of the board shall be designated by the
2 Governor.

3 SEC. 162. Members of the Hospital Service Advisory
4 Board shall receive no compensation for their services but shall
5 receive their actual necessary expenses, including travel
6 expenses, incurred in the performance of their duties.

7 SEC. 163. The Hospital Service Advisory Board shall
8 upon the request of the authority consult with and advise the
9 authority and shall prepare and submit to the authority their
10 recommendations on matters referred to them by the authority.

11 12 Article 12. Subrogation

13
14 SEC. 170. If any service is furnished under this act to any
15 individual having a right or claim for compensation or damages
16 in whole or in part for or on account of any disability, injury,
17 or illness against any other person, or having a right or
18 claim for compensation under a workmen's compensation or
19 employer's liability law of this State, or any other state or the
20 Federal Government, the fund shall, to the extent of the cost of
21 the services, be entitled to reimbursement out of any such sum
22 or damages which the recipient of such service receives or is
23 entitled to receive by way of compensation or through suit,
24 settlement or judgment. The authority, on behalf of the fund,
25 shall to that extent be subrogated to the rights or claims of the
26 recipient of the services against such other person in cases in
27 which the injurious act of such third person causes a disabling
28 condition entitling the recipient to services under this act and
29 in cases in which the workmen's compensation law or employer's
30 liability law of this State, or of any other state or the Federal
31 Government, grants compensation.

32 SEC. 171. Upon notice being given as provided herein to
33 the person against whom the right or claim exists or is asserted,
34 the authority has a lien upon the right or claim, and upon the
35 sum or damages paid or received thereunder, to the extent of the
36 amount for which the fund is entitled to reimbursement.

37 SEC. 172. If any individual claiming or receiving services
38 has a right or claim described in Section 170 but unreasonably
39 refuses or neglects to take the necessary action to enforce his
40 right or claim within such time as the authority by regulation
41 prescribes, the authority may, at its own expense, take such
42 action or proceedings in the name and in behalf of the individual
43 as it deems necessary to enforce his right or claim. Any sum
44 recovered by the authority in such an action or proceeding,
45 through a settlement, judgment, or otherwise, in excess of the
46 amount to which the fund is entitled by way of reimbursement
47 plus the reasonable expenses of the authority in connection with
48 such action or proceeding, shall be held by the authority as
49 trustee for the individual in whose behalf the action was under-
50 taken. In the event that the authority undertakes an action or
51 proceeding and fails therein, the costs and expenses thereof
52 shall be payable out of the fund.

1 SEC. 173. The authority may furnish services under this
2 act to any individual having or claiming to have rights to com-
3 pensation or damages pending the settlement or determination
4 of his right or claim. The furnishing of services to such an
5 individual shall be without prejudice to any method of recovery
6 provided in this act. If the authority furnishes or intends to
7 furnish services under this act, it may give written notice to the
8 person against whom the recipient of such services has or claims
9 a right to compensation or damages. After the receipt of such
10 notice and of a certified statement of the amount of the advances
11 actually made, such person shall pay to the authority to the
12 extent of the amount for which he is liable, less any sums which
13 he may have actually paid to the authority or to the department
14 prior to the receipt of such notice, the costs of the services paid
15 by the authority. The receipt by the authority of any of such
16 payments, to the extent thereof, constitutes a full and valid
17 discharge of the claims of the recipient against such third
18 person.

19 Article 13. Penalties
20

21 SEC. 180. The wilful making by a physician of a false
22 statement or representation or the failure to disclose any
23 material fact known to him to obtain any service or benefit pro-
24 vided under this act, for himself or any other person, constitutes
25 unprofessional conduct within the meaning of Chapter 5 of
26 Division 2 of the Business and Professions Code.

27 SEC. 181. It is a misdemeanor:

28 (a) Wilfully to make a false statement or representation
29 or knowingly fail to disclose a material fact to obtain any
30 service under the provisions of this act, whether for the maker
31 or for any other person or for the purpose of lowering or avoid-
32 ing any contribution required of the maker or any other person
33 or to avoid becoming or remaining subject to this act;

34 (b) On the part of any employer or any officer or agent of
35 an employee to make a greater deduction from the wages of an
36 employee other than the contribution required of such employee
37 by this act, or as expressly otherwise permitted by law;

38 (c) On the part of any employer or any officer or agent
39 of an employer, wilfully and unlawfully to fail or neglect to
40 make available required records for the inspection of the
41 department, the authority, or its authorized representatives at
42 any reasonable time during business hours;

43 (d) On the part of any employer, or any officer or agent
44 of an employer, wilfully and unlawfully to fail or neglect to
45 furnish to the department reports required by it when neces-
46 sary for the enforcement of this act;

47 (e) On the part of any employer, or any officer or agent
48 of an employer or any individual to connive or conspire to aid
49 such individual to obtain benefits under this act to which such
50 individual is not entitled by the wilful withholding of informa-
51 tion; or by the wilful failure to report any relevant information;

1 (f) For any person to wilfully violate any provisions of
2 this act or any rule or regulation promulgated or published by
3 the authority or the department in accordance with this act;

4 (g) On the part of any officer, employee, or any other
5 individual to disclose or make public any information obtained
6 in the course of administration of this act other than as required
7 to properly discharge his duties or to fulfill the purposes
8 expressed in this act.

9 SEC. 182. Any employer, including any individual mem-
10 ber of a partnership or employing unit, and any officer of a
11 corporate employing unit having a knowledge thereof, which
12 withholds the deductions required by this act from remunera-
13 tion paid to its employees, and wilfully fails or is financially
14 unable to pay such deductions to the Health Service Fund
15 before the date on which the same become delinquent shall be
16 guilty of a misdemeanor.

17 SEC. 183. All fines collected for violations of the provi-
18 sions of this act shall be paid one-half into the State Treasury
19 to the credit of the Health Service Fund, and one-half to the
20 treasurer of the jurisdiction in which the misdemeanor is
21 prosecuted, to be deposited in the same fund as fines for other
22 misdemeanors occurring in that jurisdiction are deposited.

23 SEC. 184. The charging, collection, or receipt by a physi-
24 cian of any amount for medical services rendered to a beneficiary
25 under this act for which a claim has been filed, constitutes
26 unprofessional conduct within the meaning of Chapter 5 of
27 Division 2 of the Business and Professions Code.